SHOAL POINT
energy

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JANUARY 31, 2012 AND 2011

INDEX

Auditors' Report	1 - 4
Consolidated Statements of Financial Position	5
Consolidated Statements of Operations and Comprehensive Loss	6
Consolidated Statements of Changes in Shareholders' Equity	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 37

Collins Barrow

Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, P.O. Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Shoal Point Energy Ltd.

We have audited the accompanying consolidated financial statements of Shoal Point Energy Ltd. and its subsidiaries, which comprise the consolidated statement of financial position as at January 31, 2012 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Shoal Point Energy Ltd. and its subsidiaries as at January 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

This office is independently owned and operated by Collins Barrow Toronto LLP
The Collins Barrow trademarks are used under License.

an independent member of
BAKER TILLY
INTERNATIONAL

Other Matter

The comparative information, which comprise the consolidated statements of financial position as at January 31, 2011 and February 1, 2010, the consolidated statement of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended January 31, 2011, and the summary of significant accounting policies and other explanatory information, including Note 4, which explains the transition from pre-changeover GAAP to IFRSs and the effect on the entity's reported financial position, financial performance and cash flows, were audited by another auditor who expressed an unmodified opinion on May 30, 2012.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
May 30, 2012
Toronto, Ontario

Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Shoal Point Energy Ltd.

We have audited the comparative consolidated financial statements in the accompanying consolidated financial statements of Shoal Point Energy Ltd, which comprise the consolidated statements of financial position as at January 31, 2011 and February 1, 2010, the consolidated statement of operations and comprehensive loss, consolidated statement of changes in shareholders' equity, and consolidated statement of cash flows for the year ended January 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these comparative consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of comparative consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these comparative consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the comparative consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the comparative consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the comparative consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the comparative consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the comparative consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the comparative consolidated financial statements present fairly, in all material respects, the financial position of Shoal Point Energy Ltd. as at January 31, 2011 and February 1, 2010, and its financial performance and its cash flows for the year ended January 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the entity is in the exploration stage of its operations, has not yet determined whether its oil and gas properties contain resources that are economically recoverable and will require additional financing to continue its exploration activities. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

Other Matter

The comparative consolidated financial statements form part of the complete set of the accompanying consolidated financial statements that are required to be presented by the entity in its 2012 transition year to International Financial Reporting Standards. We were not engaged to report on the consolidated statement of financial position as at January 31, 2012, the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the year ended January 31, 2012, and the summary of significant accounting policies and other explanatory information as it relates to the 2012 consolidated financial statements, and as such, we have not audited, and do not express an opinion on the 2012 consolidated financial statements. The 2012 consolidated financial statements were audited by another auditor who expressed an unmodified opinion on May 30, 2012.

Schwartz Levitsky Feldman llp

Toronto, Ontario
May 30, 2012

Chartered Accountants
Licensed Public Accountants

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT

		January 31, 2012		January 31, 2011 (Note 4)		February 1, 2010 (Note 4)
ASSETS						
Current						
Cash	**$**	**857,656**	$	430,516	$	6,517
Accounts receivable (Note 7)		**358,571**		1,032,185		26,829
Loans receivable (Note 8)		**304,734**		-		-
Prepaid expenses and deposit (Note 9)		**2,223,064**		4,281,702		37,500
		3,744,025		5,744,403		70,846
OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT (Note 11)		**27,583,038**		3,209,480		5,051
	$	**31,327,063**	$	8,953,883	$	75,897
LIABILITIES						
Current						
Accounts payable and accrued liabilities		**1,916,990**		1,093,259		509,178
Provision for well suspension (Note 13)		**200,000**		-		-
Convertible debt (Note 10)		**300,000**		-		2,180,931
Unrenounced flow-through share premium		**-**		-		14,000
		2,416,990		1,093,259		2,704,109
SHAREHOLDERS' EQUITY						
Share capital (Note 12(a))	**$**	**45,099,943**		24,717,298		12,944,775
Warrants (Note 12(c))		**7,236,596**		5,117,021		3,065,541
Contributed surplus (Note 12(d))		**2,585,839**		2,152,846		632,018
Equity portion of convertible debt		**-**		-		460,546
Deficit		**(26,012,305)**		(24,126,541)		(19,731,092)
		28,910,073		7,860,624		(2,628,212)
	$	**31,327,063**	$	8,953,883	$	75,897

COMMITMENTS AND CONTINGENCIES (Note 14)
SUBSEQUENT EVENTS (Note 18)

Approved on behalf of the board:

President

CFO

The accompanying notes are an integral part of these consolidated financial statements.

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JANUARY 31,

	2012	2011
Expenses		
Office, general and administrative	**$ 608,457**	$ 336,809
Directors' fees	**3,000**	37,000
Management fees (Note 15)	**285,400**	249,015
Consulting fees	**877,976**	444,908
Stock-based compensation (Note 12(b))	**442,664**	1,299,940
Professional fees	**315,664**	244,811
Depreciation	**1,536**	5,667
Rent	**94,612**	68,042
Interest expense	**161,045**	806,591
Part XII.6 interest and taxes	**510**	-
Impairment (recovery) of oil and natural gas properties	**-**	(22,500)
Expense on amendment of terms of convertible debt (Note 10)	**-**	511,007
Loss from operations	**2,790,864**	3,981,290
Flow-through share premium renunciation	**(872,178)**	(14,000)
Interest and other income	**(32,922)**	(3,346)
Net loss and comprehensive loss for the year	**(1,885,764)**	(3,963,944)
Loss per share		
Basic and fully diluted (Note 17)	**$ (0.01)**	$ (0.06)
Weighted average number of common shares outstanding	**185,785,507**	67,044,806

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED JANUARY 31, 2012 and 2011

	Share capital		Warrants					
	Number of shares	Amount	Number of warrants	Amount	Contributed Surplus	Equity portion of Convertible debt	Deficit	Total
Balance, February 1, 2010 (Note 4)	75,109,129	$ 12,944,775	22,081,780	$ 3,065,541	$ 632,018	$ 460,546	$ (19,731,092)	$ (2,628,212)
Shares issued - debt settlement (Note 12(a)(xii))	3,154,545	694,000	-	-	-	-	-	694,000
Shares issued - property (Note 12(a)(xiii))	750,000	165,000	-	-	-	-	-	165,000
Shares issued for cash (Note 12(a)(xi))	27,932,881	6,145,234	-	-	-	-	-	6,145,234
Shares issued - amalgamation	7,705,268	1,745,945	-	-	-	-	-	1,745,945
Reversal of Allied share capital	-	(1,745,945)	-	-	-	-	-	(1,745,945)
Shares issued - debenture conversion (Note 10)	7,848,624	2,320,391	-	-	-	-	-	2,320,391
Shares issued upon exercise of warrants	16,683,050	5,335,378	-	-	-	-	-	5,335,378
Allocated to warrants	-	(2,603,466)	-	-	-	-	-	(2,603,466)
Warrants issued - property (Note 12(a)(xiii))	-	-	250,000	14,395	-	-	-	14,395
Warrants issued - private placement (Note 12(a)(xi))	-	-	27,932,881	1,373,713	-	-	-	1,373,713
Broker warrants issued (Note 12(a)(xi))	-	-	1,798,247	129,349	-	-	-	129,349
Warrants issued - debenture conversion (Note 10)	-	-	10,870,995	1,086,009	-	(460,546)	-	625,463
Warrants extended in term	-	-	-	431,505	-	-	(431,505)	-
Warrants exercised/expired	-	-	(19,518,324)	(983,491)	-	-	-	(983,491)
Reverse asset acquisition ("RAA") cost	-	(50,000)	-	-	-	-	-	(50,000)
Fair value of options granted	-	-	-	-	1,299,940	-	-	1,299,940
RAA adjustment	-	304,675	-	-	-	-	-	304,675
Share issuance costs	-	(538,689)	-	-	-	-	-	(538,689)
Equity portion of convertible debt	-	-	-	-	220,888	-	-	220,888
Net loss for the year	-	-	-	-	-	-	(3,963,944)	(3,963,944)
Balance, January 31, 2011	139,183,497	$ 24,717,298	43,415,579	$ 5,117,021	$ 2,152,846	$ -	$ (24,126,541)	$ 7,860,624

Balance, February 1, 2011 (Note 4)	139,183,497	$ 24,717,298	43,415,579	$ 5,117,021	$ 2,152,846	$ -	$ (24,126,541)	$ 7,860,624
Shares issued for cash (Note 12(a)(i),(ii),(iii),(iv),(v),(vii),(viii))	73,617,757	17,362,607	-	-	-	-	-	17,362,607
Shares issued for property (Note 12(a)(vi),)(ix),(x))	21,500,000	3,695,000	-	-	-	-	-	3,695,000
Shares issued upon exercise of warrants	5,365,512	1,165,440	-	-	-	-	-	1,165,440
Shares issued upon exercise of options	200,000	69,360	-	-	-	-	-	69,360
Premium on flow-through share issuances	-	(872,178)	-	-	-	-	-	(872,178)
Fair value of options granted (Note 12(d))	-	-	-	-	442,664	-	-	442,664
Options exercised	-	-	-	-	(9,671)	-	-	(9,671)
Share issuance costs (Note 12(a)(i),(ii),(iii),(iv),(v),(vii),(viii))	-	(1,037,584)	-	-	-	-	-	(1,037,584)
Broker warrants issued (Note 12(a)(i),(ii),(iii),(iv),(v),(vii),(viii))	-	-	3,137,487	255,261	-	-	-	255,261
Warrants issued upon unit financings (Note 12(a)(i),(ii),(iii),(iv),(v),(vii),(viii))	-	-	36,808,879	1,734,174	-	-	-	1,734,174
Warrants issued on settlement of promissory note (Note 12(c))	-	-	1,000,000	160,734	-	-	-	160,734
Adjustment for previously issued warrants	-	-	706,568	-	-	-	-	-
Warrants issued for property (Note 12(a)(vi)(ix))	-	-	11,000,000	318,698	-	-	-	318,698
Warrants exercised/expired	-	-	(9,075,478)	(349,292)	-	-	-	(349,292)
Adjustment for previously issued shares	373,984	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(1,885,764)	(1,885,764)
Balance, January 31, 2011	240,240,750	$ 45,099,943	86,993,035	$ 7,236,596	$ 2,585,839	$ -	$ (26,012,305)	$ 28,910,073

The accompanying notes are an integral part of these consolidated financial statements.

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31,

	2012	2011
Cash flows from operating activities		
Net loss for the year	**$ (1,885,764)**	$ (3,963,944)
Adjustments not effecting cash:		
Depreciation	**1,536**	5,667
Stock-based compensation	**442,664**	1,299,940
Flow-through share premium renunciation	**(872,178)**	(14,000)
Impairment(recovery) of oil and natural gas properties	**-**	(22,500)
Expense on amendment of terms of convertible debt	**-**	511,007
Interest expense	**160,734**	437,709
	(2,153,008)	(1,746,121)
Changes in non-cash working capital		
Accounts receivable	**673,614**	(1,005,356)
Prepaid expenses and deposits	**2,058,638**	(4,244,202)
Accounts payable and accrued liabilities	**334,768**	584,081
Cash flows used in operating activities	**914,012**	(6,411,598)
Cash flows from investing activities		
Purchase of capital assets	**(7,488)**	-
Acquisition of oil and natural gas properties	**(19,387,946)**	(3,104,292)
Issuance of loans	**(300,000)**	-
Cash flows used in investing activities	**(19,695,434)**	(3,104,292)
Cash flows from financing activities		
Issuance of common shares	**19,990,885**	11,188,525
Issuance of promissory note	**2,200,000**	-
Repayment of promissory note	**(2,200,000)**	-
Share issue costs	**(782,323)**	-
Repayment of convertible note payable	**-**	(1,248,636)
Cash flows provided by financing activities	**19,208,562**	9,939,889
Net increase (decrease) in cash	**427,140**	423,999
Cash, beginning of year	**430,516**	6,517
Cash, end of year	**$ 857,656**	$ 430,516

Supplemental Disclosure	**2012**	2011
Amount of interest paid during the year (Financing activity)	**$ 311**	$ 368,882

The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY AND GOING CONCERN

Shoal Point Energy Ltd. (the "Company") was incorporated on December 22, 2006 under the Business Corporations Act (Alberta). The Company was incorporated for the purpose of acquisition, exploration and development of oil and natural gas properties in Canada. The Company is headquartered at 65 Queen Street West Toronto, Ontario Canada M5H 2M5. On October 26, 2010, the Company filed articles of continuance in Ontario under the name of Shoal Point Energy Inc.

On October 14, 2010, Allied Northern Capital Corporation ("Allied") a non-operating public enterprise, agreed on a share exchange transaction with Shoal Point Energy Inc. (“SPE”), a non-public operating enterprise, which was completed on November 9, 2010. The transaction has been accounted for as a reverse takeover acquisition, whereby SPE became a wholly owned subsidiary of Allied. On November 23, 2010, the Canadian National Stock Exchange (“CNSX”) authorized the completion of the reverse takeover or qualifying transaction and the name change from Allied to Shoal Point Energy Ltd. (the "Company"). On November 23, 2010, the Company began trading on the CNSX under the symbol SHP.

Subsequent to the reverse takeover transaction on November 9, 2010, SPE amalgamated with a newly incorporated wholly-owned subsidiary of Allied, 2257054 Ontario Inc. and continued on under the name of Shoal Point Energy Inc. The amalgamation occurred on November 9, 2010. 2257054 Ontario Inc. was incorporated on September 16, 2010.

The Company is in the pre-production stage of exploring its oil and natural gas properties and has not yet determined whether these properties contain oil and natural gas resources that are economically recoverable, as a result, it is considered an exploration stage company. The recoverability of amounts shown for oil and natural gas properties is dependent upon the existence of economically recoverable reserves, securing and maintaining the title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from disposition of the oil and natural gas properties. The amounts shown as oil and natural gas properties represent net costs to date, and do not necessarily represent present or future values.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation.

To continue as a going concern, the Company needs to raise the capital necessary to continue in oil and natural gas exploration business and to eventually achieve positive cash flow from operations. In the current economic market, there is no certainty that management will be successful in these efforts.

2. BASIS OF PRESENTATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements for the year ended January 31, 2012 (including comparatives) were approved and authorized for issue by the board of directors on May 30, 2012.

The accounting policies applied in preparing the consolidated financial statements for the years ended January 31, 2012, January 31, 2011, and the opening statement of financial position as of February 1, 2010 are set out in note 3.

Basis of Measurement and Principles of Consolidation

The consolidated financial statements have been prepared on the historical cost basis, except for cash and property deposits, which are measured at fair value..

The consolidated financial statements includes all the accounts of the Company and all of its subsidiaries and investments. The financial statements of the subsidiaries are consolidated from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Shoal Point Energy Inc.

Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its wholly-owned subsidiary Shoal Point Energy Inc.'s functional currency.

Use of Estimates and Judgement

The preparation of consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the recoverability of exploration and evaluation ("E&E") assets, useful lives of capital assets, provision for well suspension, valuation of share-based compensation, deferred income taxes and the premium on flow-through shares issued, as well as the bi-furcation of convertible debt between its debt and equity components. Actual results could differ from management's best estimates.

Recent accounting pronouncements

IFRS 7 "Financial instruments – Disclosures" ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its consolidated financial statements.

The IASB has issued IFRS 9 "Financial Instruments" which proposes to replace IAS 39. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets-amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale, and loans and receivable categories. This standard is effective for the Company's annual year end beginning January 1, 2015. The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

IAS 1, "Presentation of Financial Statements" ("IAS 1") requires grouping of items presented in the Statement of Comprehensive Income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, amendments to IAS 1 also require that taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company does not anticipate the amendments to IAS 1 to have a material impact on its consolidated financial statements.

IAS 12 "Income Taxes" ("IAS 12") provides a practical solution in determining the recovery of investment properties as it relates to accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier application permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

The IASB also has issued the following standards, which are effective for annual periods beginning on or after January 1, 2013, for which the Company has not yet determined the impact on its consolidated financial statements:

IFRS 12 "Disclosure of Interests in Other Entities" is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, and structured entities. This standard carries forward the disclosures that existed under IAS 27, IAS 28 and IAS 31, and also introduces additional disclosure requirements that address the nature of, and risks associated with, and entity's interests in other entities.

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which replaces parts of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") and all of SIC-12, "Consolidation – Special Purpose Entities", changes the definition of control that is the determining factor in whether an entity should be consolidated. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IAS 27, "Separate Financial Statements was reissued and now only contains accounting and disclosure requirements for when an entity prepares separate financial statements, as the consolidation guidance is now included in IFRS 10.

IFRS 11, "Joint Arrangements" ("IFRS 11"), which replaces IAS 31, "Interests in Joint Ventures" ("IAS 31") and SIC-13, "Jointly Controlled Entities – Non-Monetary Contributions by Venturers" ("SIC-13") requires a venturer to classify its interest in a joint arrangement as either a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting. The existing option to account for joint ventures using proportionate consolidation has been removed. For a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

IFRS 13, "Fair Value Measurement" ("IFRS 13") provides guidance on how fair value should be applied where its use is already required or permitted by other IFRS standards, and includes a definition of fair value and is a single source of guidance on fair value measurement and disclosure requirements for use across IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statements of financial position as at February 1, 2010 for the purpose of transitioning to IFRS, unless otherwise indicated.

OIL AND NATURAL GAS PROPERTIES

Exploration and Evaluation expenditures ("E&E") incurred prior to acquiring the legal right to explore are charged to expense as incurred.

E&E expenditures incurred subsequent to acquisition of the legal right to explore, including license and property acquisition costs, geological and geophysical expenditures, costs of drilling exploratory wells and directly attributable overhead including salaries and employee benefits, are initially capitalized as E&E assets. Certain overhead costs and the unwinding of decommissioning liabilities are included in E&E.

E&E assets are not depleted and are moved into capital assets when they are determined to meet certain technical feasibility & commercial viability thresholds as determined by management. Upon transfer to property, plant and equipment, E&E assets are assessed for impairment in addition to regular impairment reviews to ensure they are not carried at amounts above their estimated recoverable values. All items currently in oil and natural gas properties are considered E&E properties under IFRS 6, "Exploration for and Evaluation of Mineral Resources".

Expenditures on developed oil and natural gas properties such as drilling of development wells, tangible costs of facilities and infrastructure construction are capitalized to oil and natural gas properties when it is probable that a future economic benefit will flow to the Company as a result of the expenditure and the cost can be reliably measured.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation associated with the asset and finance charges on qualifying assets.

Oil and natural gas properties are depleted using the unit-of-production method over their reserve life using proven and probable reserves, unless the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight-line method. Future development costs are included in costs subject to depletion. Reserves and estimated future development costs are determined annually by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of production calculations are dealt with on a prospective basis.

CAPITAL ASSETS

Recognition and Measurement

Capital assets are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset.

Depreciation

Capital assets are depreciated annually on a straight-line basis using rates of 20% respectively.

Impairment

The carrying amounts of the Company’s capital assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case, the individual assets are grouped together into Cash Generating Units ("CGUs") for impairment purposes. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment exists when the carrying amount of the asset, or group of assets, exceeds its recoverable amount. The impairment loss is the amount by which the carrying value exceeds the recoverable amount and such loss is recognized in the consolidated statement of operations and comprehensive loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized such that the recoverable amount has increased. The impairment amount reversed would not be higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

REVERSE TAKEOVER

On November 9, 2010, Allied Northern Capital Corporation ("Allied") acquired all of the issued and outstanding common shares of Shoal Point Energy Ltd.("SPE") in exchange for 79,231,112 common shares of Allied. As the shareholders of SPE controlled the Company once the acquisition was completed, the acquisition was accounted for as a reverse takeover, whereby SPE was the acquirer and Allied was the acquiree. Upon closing of this reverse takeover transaction Allied changed its name to Shoal Point Energy Ltd.

As Allied did not qualify as a business for accounting purposes per IFRS 3 (definition of a business), the transaction has been accounted for as a capital transaction. The transaction is equivalent to the issuance of shares by the non-public operating enterprise (SPE) for the net monetary assets of the non-operating public enterprise (Allied), accompanied by a recapitalization of the non-public operating enterprise (SPE). A reverse takeover transaction is viewed as the issuance of equity by the non-public operating enterprise (SPE) to the extent there is cash in the non-operating public enterprise (Allied). Accordingly transaction costs are charged to equity only to the extent of cash received, while all costs in excess of cash received should be charged to expense. The consolidated financial statements are issued under the name of the legal parent (Allied), but are deemed to be a continuation of the legal subsidiary (SPE). See note 12.

ACCOUNTING FOR INCOME TAXES

Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

Deferred income tax assets and liabilities are calculated using substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the year ended January 31, 2012 was 30.37% (2011 – 27.90%).

BASIC AND DILUTED LOSS PER COMMON SHARE

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise convertible warrants and share options granted by the Company.

SHARE-BASED PAYMENTS

Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Under this method, the fair value of the equity-settled share-based payment is measured on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. For options that do not vest immediately, the fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

Equity-settled, share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

RECLAMATION OBLIGATION

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of an oil and natural gas property interest. The Company’s exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

The fair value of the liability for a reclamation obligation is recorded when it is incurred and is measured at the net present value. The corresponding increase to the asset is amortized over the life of the asset. The liability is adjusted each period for the unwinding of discount with the associated expense included in net income.

The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

WARRANTS

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the share component is credited to share capital and the value of the warrant component is credited to the warrants account. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the warrants account is recorded as an increase to share capital.

FOREIGN CURRENCY TRANSLATION

The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated financial statements are recognized in profit or loss.

FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

The Company recognizes a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Fair value through profit and loss

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss. The Company has classified cash and property deposits as financial assets at FVTPL.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized costs using the effective interest method, less any impairment losses. The Company has classified accounts receivable and loans receivable as loans and receivables.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been negatively impacted. Evidence of impairment could include:

- Significant financial difficulty of the issuer or counter party; or
- Default or delinquency in interest or principal payments by the borrower; or
- It becomes probable that the borrower will enter into bankruptcy or financial reorganization.

The carrying amount of the financial asset is directly reduced by any impairment loss.

Available-for-sale

Financial assets classified as available-for-sale as measured at fair value with any resultant gain or loss being recognized directly in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

Other liabilities

Accounts payable and accrued liabilities, and convertible debt are classified as other liabilities at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

Financial instruments recorded at fair value through profit or loss (FVTPL)

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a financial value hierarchy that reflects the significance of the inputs used in marking the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices including Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – valuation techniques using inputs for the asset and liability that are not based on observable market data (unobservable inputs).

Cash which is recorded at FVTPL, is considered Level 1.

COMPOUND FINANCIAL INSTRUMENTS

The Company allocates the total proceeds received for convertible debt between the debt and equity components of the convertible debt based on the residual method. The fair value of the equity component of the convertible debt is valued as the proceeds less the fair value of the debt element. The fair value of the debt portion is accreted to its face value through interest expense charges over the term of the convertible debt.

PROVISIONS

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

FLOW-THROUGH SHARES

Upon the issuance of flow-through shares, the Company records the initial proceeds to share capital and an unrenounced flow-through premium liability. The liability on the statement of financial position represents the premium of the financing price in excess of the market share price on the date of the flow-through share financing. The liability pertaining to the premium is recognized in the statement of operations consistent with expenditure renunciations. As the Company renounces expenditures to meet flow through requirements, the corresponding liability is reversed to net income. The Company applies the accounting treatment regarding the extinguishment of the flow-through premium liability to net income, without recognizing deferred taxes upon renunciation.

REVENUE RECOGNITION

Interest revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

SHARE ISSUANCE COSTS

Professional, consulting, regulatory fees and other costs that are directly attributable to the issuance of shares are charged to share capital when the related shares are issued, net of any tax effects. Transaction costs of abandoned equity transactions are recognized in profit and loss.

CASH

Cash in the statement of financial position comprise cash at banks and short-term deposits with an original maturity of three months or less.

4. TRANSITION TO IFRS

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates that have been previously made. Accordingly, estimates used in the preparation of the Company's opening IFRS statements of financial position as at the transition date are consistent with those that were made under Canadian GAAP.

The Company has elected to apply the following exemptions in accordance with IFRS 1, which provides specific one-time choices and mandates specific one-time exceptions with respect to the first time adoption of IFRS.

Choices available at first-time adoption

i) Share-based payment – IFRS 2, Share Based Payment, permits the application of this standard only to equity instruments granted after November 7, 2002 that had not vested by February 1, 2010. Accordingly, the Company has applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested on the date of transition.

ii) Business combinations – IFRS 3, Business Combinations may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to February 1, 2010. The Company has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to February 1, 2010 and such business combinations were not restated.

iii) Deemed cost – IFRS 1, First time adoption provides a choice between measuring items of property, plant and equipment, and oil and natural gas properties at their fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The Company has decided to continue to apply the cost model for its capital assets, and oil and natural gas properties and has not re-measured them to fair value under IFRS. The historical basis under Canadian GAAP has been designated as the deemed cost under IFRS at Transition Date.

IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

Property, plant and equipment

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, which is the same as under Canadian GAAP.

Mandatory Exceptions

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial instruments: Recognition and Measurement prospectively from the transition date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the transition date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

Changes to accounting policies:

The Company has changed certain accounting policies to be consistent with IFRS as effective or available for adoption on January 31, 2012, the Company's first annual IFRS reporting date.

The following summarizes the significant changes to the Company's accounting policies upon adoption of IFRS:

a) Impairment of non-financial assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP requires a write-down to estimated value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the consolidated financial statements.

b) Decommissioning liabilities

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. IFRS also requires that the discount rate used should reflect the risks specific to the decommissioning liability, while Canadian GAAP requires the use of a discount rate that reflects the Company's credit adjusted risk free rate.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the consolidated financial statements.

c) Share-based payments

IFRS 2, Share-based Payments requires each vesting tranche to be valued with unique assumptions, as if it were a separate grant, along with estimates on forfeitures based on historical trends experienced by the Company.

Under IFRS, the Company uses an estimate of forfeitures based on historical trends experienced by the Company. Under Canadian GAAP no estimate was used, but rather actual forfeitures were accounted for as they occurred. The changes did not affect the calculation of the share-based compensation expense.

Expiration of share-based compensation

Canadian GAAP – Under Canadian GAAP, the Company's policy was to leave the value recorded for expired, unexercised stock options to contributed surplus, and to record the value of expired, unexercised warrants to a warrants equity account.

IFRS – The Company continues to use its policy regarding expired share-based compensation whereby amounts recorded for expired, unexercised stock options and warrants remain in contributed surplus and a warrants equity account, respectively. Therefore, there was no significant impact on the transition to IFRS.

d) Flow-through shares

Under Canadian GAAP, the Company would record the gross proceeds relating to flow-through shares to share capital at the time of issuance. The Company would then record a charge (reduction) to share capital at the time the tax benefits of the flow-through shares were renounced to the subscribers. The charge was calculated by multiplying the amount of the renounced tax benefits (which are equal to the gross proceeds of the flow-through share issuance) by the effective tax rate at the time. The offset would be recorded as a deferred tax liability to reflect the fact that the Company could no longer use the tax attributes for its benefit.

Under IFRS, the proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares, at the date of closing, and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium, and is extinguished on renunciation. There is no subsequent reduction in share capital. If the flow-through shares are not issued at a premium, a liability is not established.

The Company has elected to apply the accounting treatment regarding the extinguishment of the flow-through premium liability to net income when the related expenditures are spent, without recognizing deferred taxes upon renunciation.

e) Induced conversion

In accordance with IFRS, if an entity amends the term of a convertible instrument during its life to make conversion more attractive, any subsequent conversion is to be treated as an induced early conversion. In such instances, the difference between the fair value of the consideration the holder receives upon conversion under the revised terms, and the fair value of the consideration the holder would have received upon conversion under the original terms, measured at the date when the terms are amended, is recognized as a profit or loss. Under Canadian GAAP, the resultant difference is treated in accordance with accounting principles applicable to the related element. That is, the amount of gain or loss relating to the liability element is credited or charged to income, and the difference between the carrying amount and the amount considered to be settled relating to the holder option elements is treated as a capital transaction.

The February 1, 2010 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	CANADIAN	IFRS		
ASSETS	**GAAP**	**Adjustments**	**Ref.**	**IFRS**
Current				
Cash	$ 6,517	$ -		$ 6,517
Accounts receivable	26,829	-		26,829
Prepaid expenses and deposits	37,500	-		37,500
	70,846	-		70,846
Property and equipment	5,051	-		5,051
	$ 75,897	$ -		$ 75,897
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 509,178	$ -		$ 509,178
Convertible debt	2,180,931	-		2,180,931
Unrenounced flow-through premium	-	14,000	4(d)	14,000
	2,690,109	14,000		2,704,109
SHAREHOLDERS' DEFICIENCY				
Share capital	12,942,775	2,000	4(d)	12,944,775
Warrants	3,065,541	-		3,065,541
Contributed surplus	632,018	-		632,018
Equity portion of convertible debt	460,546	-		460,546
Deficit	(19,715,092)	(16,000)	4(d)	(19,731,092)
	(2,614,212)	(14,000)		(2,628,212)
	$ 75,897	$ -		$ 75,897

The January 31, 2011 Canadian GAAP consolidated statement of financial position has been reconciled to IFRS as follows:

	CANADIAN	IFRS		
ASSETS	**GAAP**	**Adjustments**	**Ref.**	**IFRS**
Current				
Cash	$ 430,516	$ -		$ 430,516
Accounts receivable	1,032,185	-		1,032,185
Prepaid expenses and deposits	4,281,702	-		4,281,702
	5,744,403	-		5,744,403
Oil and natural gas properties and equipment	3,209,480	-		3,209,480
	$ 8,953,883	$ -		$ 8,953,883
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 1,093,259	$ -		$ 1,093,259
	1,093,259	-		1,093,259
SHAREHOLDERS' EQUITY				
Share capital	24,204,291	513,007	4(d),(e)	24,717,298
Warrants	5,117,021	-		5,117,021
Contributed surplus	2,152,846	-		2,152,846
Deficit	(23,613,534)	(513,007)	4(d),(e)	(24,126,541)
	$ 7,860,624	$ -		$ 7,860,624
	$ 8,953,883	$ -		$ 8,953,883

The Canadian GAAP consolidated statement of operations and comprehensive loss for the year ended January 31, 2011 has been reconciled to IFRS as follows:

	CANADIAN GAAP	IFRS Adjustments	Ref.	IFRS
Expenses				
Office, general and administrative	$ 336,809	$ -		$ 336,809
Directors' fees	37,000	-		37,000
Management fees	249,015	-		249,015
Consulting fees	444,908	-		444,908
Stock-based compensation	1,299,940	-		1,299,940
Professional fees	244,811	-		244,811
Depreciation	5,667	-		5,667
Rent	68,042	-		68,042
Interest expense	806,591	-		806,591
Impairment (recovery) of oil and natural gas properties	(22,500)	-		(22,500)
Expense on amendment of terms of convertible debt	-	511,007	4(e)	511,007
	3,470,283	511,007		3,981,290
Other income				
Flow-through share premium renunciation	-	14,000	4(d)	14,000
Interest and other income	3,346	-		3,346
Loss and comprehensive loss for the year	$ (3,466,937)	$ (497,007)		$ (3,963,944)
Basic and diluted loss per share	$ (0.04)			$ (0.06)
Weighted average number of shares	77,136,423			67,044,806

The changes made to the consolidated statements of financial position and consolidated statements of operations and comprehensive loss have resulted in reclassifications of various amounts on the consolidated statement of cash flow. However, as there have been no material adjustments to the net cash flows, no reconciliation of the consolidated statement of cash flows has been presented.

5. FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures, of which there are none outstanding as at year end. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity are cash funds derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents.

The Company's financial liabilities consist of accounts payable and accrued liabilities of $1,916,990, which is all contractually maturing in one year, and convertible debt of $300,000 which is due on demand. The Company has current assets of $3,744,025 to cover these financial liabilities.

Interest Rate Risk

Interest rate risk is the risk that the cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate cash flow risk to the extent that its convertible debt bears interest at prime rate.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by investing its cash with a Canadian chartered bank.

Fair Value

The carrying value of the Company's financial instruments are considered to be representative of their fair value due to their short-term nature.

6. CAPITAL MANAGEMENT

The Company defines its capital to manage as the components of shareholders' equity which as at January 31, 2012 was $28,910,073 (January 31, 2011 - $7,860,624).

There were no changes in the Company's approach to capital management during the year ended January 31, 2012 and the Company is not subject to any externally imposed capital requirements, other than its expenditure requirements on its flow-through shares, which was nil as at January 31, 2012.

The Company's objectives when managing capital are:

a) To safeguard the Company's financial capacity and liquidity for future earnings in order to continue to provide an appropriate return to shareholders and other stakeholders;

b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and

c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments, reduce debt levels from, or make adjustments to, its capital expenditure program.

7. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	January 31, 2012	January 31, 2011	February 1, 2010
GST/HST receivable	**$ 321,843**	$ 986,547	$ 25,304
Subscription receivable	**20,850**	44,113	-
Other receivable	**15,878**	1,525	1,525
	$ 358,571	$ 1,032,185	$ 26,829

8. LOANS RECEIVABLE

Loans receivable of $304,734 consist of unsecured loans made to certain officers, directors and employees of the Company. The loans bear interest at 6% per annum with the principal of $300,000 and accrued interest due on October 27, 2012.

9. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of the following:

	January 31, 2012	January 31, 2011	February 1, 2010
(i) Property deposits	**$ 2,000,000**	$ 1,000,000	$ 37,500
(ii) Property well costs advanced	**200,911**	3,253,528	-
Other	**22,153**	28,174	-
	$ 2,223,064	$ 4,281,702	$ 37,500

(i) The property deposits consist of two interest-bearing guaranteed investment certificates that secure two stand-by letters of credit in the amount of $1,000,000 each (January 31, 2011 - $1,000,000 total) with the Canada-Newfoundland and Labrador Offshore Petroleum Board ("CNLOPB"). The two guaranteed investment certificates have maturities of January 24, 2013 and December 21, 2012 respectively, and bear interest at 0.75%. Please refer to note 14 for the terms of the letters of credit, which were issued to the CNLOPB for any future environmental remediation work that may be required with respect to the areas covered by exploration license #1070 and #1097R respectively.

(ii) Amounts advanced to contractors and as of January 31, 2012 have not been spent.

10. CONVERTIBLE DEBT

	January 31, 2012	January 31, 2011	February 1, 2010
Convertible debt	**$ 300,000**	$ -	$ 2,180,931

Convertible debt as at January 31, 2012 consists of an unsecured convertible promissory note in the amount of $300,000 that bears interest at the prime rate and is due on demand. The convertible promissory note was issued to settle a $300,000 accounts payable balance owing. Any outstanding balance owing on the convertible debt can be converted into shares of the Company by the holder at a price of $0.20 per a share. In accordance with IAS32, Financial instruments: presentation, the fair value of the convertible promissory note has been entirely attributed to its debt component due to the holder's ability to unilaterally demand repayment from the date of issuance of the note, with the residual amount assigned to the equity component being nil.

The convertible debt as at February 1, 2010 was issued pursuant to the settlement of a claim as approved by the Bankruptcy Division of the Court of Queen's Bench of Alberta on November 24, 2009. The principal amount of the convertible debt issued by the Company was $2,618,640.

The following terms were attached to the debenture:

Date: September 30, 2009

Interest: 12% per annum

Maturity: September 30, 2010

Extensions:

a) if the Company obtained a permit for a well under EL #1070 prior to September 30, 2010, then Maturity would be extended to December 31, 2010;

b) if the Company obtained a Significant Discovery License, or an extension or renewal of EL #1070 prior to the Maturity Date, then Maturity would be extended to the earlier of the expiry date of EL #1070, and September 30, 2011;

c) if a liquidity event occurred prior to Maturity, then Maturity would be 13 months following such event.

Conversion: Principal and interest could be converted at any time into common shares of the Company at $0.32 per share. No fractional shares would be issued.

As required by IFRS, the Company classified the convertible debt as having both a liability component ($2,158,094) and an equity component ($460,546). The classification was determined whereby the Company first determined the carrying value of the liability component with the residual amount allocated to the equity component. The debt component of the convertible debenture was accreted to the amount due at maturity, through interest expense using the effective interest method. The carrying value of the convertible debt at February 1, 2010 of $2,180,931 is comprised of the liability component of $2,158,094 and the corresponding accretion of non-cash interest of $22,837.

During fiscal 2011, the Company renegotiated $1,501,571 of convertible debt which was also converted into units by the debenture holders described as below during the same period. The remainder of the convertible debenture was repaid in cash. As the Company renegotiated the convertible debt to make conversion more attractive to the convertible debt holders, the difference of $511,007 between the fair value of the consideration the holder received upon conversion under the revised terms and the fair value of the consideration the holder would have received upon conversion under the original terms, measured at the date when the terms were amended, was recognized as a loss in consolidated statement of operations and comprehensive loss.

The following terms were attached to the new convertible note:

Interest: 12% per annum

Maturity: one year

Conversion: Principal and interest could be converted at any time into units of the Company at $0.20 per unit. Each unit was comprised of one common share in the capital of the Company and one share purchase warrant entitling the holder thereof to purchase one common share at a price of $0.28 per common share until October 31, 2011. No fractional shares were issued.

	January 31, 2012	January 31, 2011	February 1, 2010
Convertible debt, beginning of year	**$ -**	$ 2,180,931	$ 2,618,640
Equity portion of convertible debt	**-**	-	(460,546)
Issuance of convertible debt	**300,000**	-	-
	300,000	2,180,931	2,158,094
Accretion of non-cash interest	**-**	437,709	22,837
Repayment	**-**	(2,618,640)	-
Convertible debt, end of year	**$ 300,000**	$ -	$ 2,180,931

11. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

	Oil and natural gas properties	Website	Computer equipment	Computer software	Total
Cost					
Balance at February 1, 2010	$ -	$ 6,225	$ 2,773	$ 1,080	$ 10,078
Additions	3,182,607	-	1,025	-	3,183,632
Recovery(impairment)	22,500	-	-	-	22,500
Balance at January 31, 2011	$ 3,205,107	$ 6,225	$ 3,798	$ 1,080	$ 3,216,210
Additions	24,367,607	-	3,307	4,181	24,375,095
Balance at January 31, 2012	**$ 27,572,714**	**$ 6,225**	**$ 7,105**	**$ 5,261**	**$ 27,591,305**
Accumulated Amortization					
Balance at February 1, 2010	$ -	$ 2,491	$ 1,456	$ 1,080	$ 5,027
Amortization for the year	-	746	957	-	1,703
Balance at January 31, 2011	$ -	$ 3,237	$ 2,413	$ 1,080	$ 6,730
Amortization for the year	-	598	418	521	1,537
Balance at January 31, 2012	**$ -**	**$ 3,835**	**$ 2,831**	**$ 1,601**	**$ 8,267**
Carrying Amounts					
As at February 1, 2010	$ -	$ 3,734	$ 1,317	$ -	$ 5,051
As at January 31, 2011	$ 3,205,107	$ 2,988	$ 1,385	$ -	$ 3,209,480
As at January 31, 2012	**$ 27,572,714**	**$ 2,390**	**$ 4,274**	**$ 3,660**	**$ 27,583,038**

The oil and natural gas properties relate to offshore Exploration License #1070, #1120 and #1097R.

Western Newfoundland

At January 31, 2012 the Company holds a 100% working interest in the Offshore Exploration License #1070 ("EL #1070") Shallow Rights, a 50% working interest in Offshore Exploration License #1097R ("EL #1097R") and is also earning up to an 80% working interest in the Shallow Rights in the 67,298 acre block in Offshore Exploration License #1120 ("EL #1120")

During the year, the Company closed its purchase from Canadian Imperial Venture Corp. ("CIVC") of CIVC's interest in the Green Point oil-in-shale. The Company increased its interest in EL #1070 Shallow Rights from 80.75 percent to 100 percent as a result and it is also now earning up to an 80 percent working interest in the 67,298 acre block Shallow Rights in EL #1120 pursuant to the farm-in agreement with Ptarmigan Energy Ltd. In addition, Shoal Point has acquired CIVC's interest in the area of mutual agreement which governed numerous exploration lands in western Newfoundland. Total consideration paid to Ptarmigan Energy Ltd with respect to the farm-in agreement for EL #1120 was $1,500,000 in cash. In order to earn its working interest in EL #1120, the Company is required on or before December 31, 2012, to spud a test well and thereafter drill the test well to assess the petroleum potential of the Green Point formation. At the time that the Company spuds the well, the Company is required to make a payment of $300,000 within two business days of such date. As at January 31, 2012, the Company had not earned any working interest in EL #1120.

The consideration paid to CIVC for the acquisition amounted to $4,046,177, which included 20 million units of the Company where each unit was comprised of one common share and one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at a price of $0.40 per a share for a two-year period. In addition, the Company paid $300,000 on closing and agreed to pay an additional $200,000 six months after the closing. The Company also issued an additional one million common shares which were placed in escrow and if the final payment of $200,000 was not made on the due date (April 25, 2012), these shares would be released to CIVC. If the final payment was made on the due date, the escrowed shares would then be released to the Company for cancellation. As the Company made the final payment by the due date subsequent to year end (see "Subsequent events" note), the escrowed shares were released to the Company and cancelled. The fair value of the consideration received from CIVC for the acquisition could not be reliably measured and accordingly, the Company measured the fair value of the consideration received from CIVC indirectly by reference to the fair value of the share-based payment consideration that the Company issued.

During the year, the Company agreed to a transaction with NWest Oil & Gas Inc. ("NWest") to acquire up to a 100% undivided working legal and beneficial interest in and to EL #1097R. A 50% working interest in the license was transferred to the Company on January 16, 2012 (the "First Transfer") in consideration for which the Company issued 1 million common shares to NWest, 1 million common share purchase warrants which entitle the holder to acquire a common share of the Company at a price of $0.40 per a share for a period of two years, and assumption of NWest's obligation to pay the Environmental Studies Research Fund ("ESRF"), to a maximum of $43,408 to the date of the agreement and assume all payments to ESRF from the date thereof. Total consideration paid for the First Transfer amounted to $385,929. The fair value of the consideration received from NWest for the acquisition could not be reliably measured and accordingly, the Company measured the the fair value of the consideration received from NWest indirectly by reference to the fair value of the share-based payment consideration that the Company issued.

The "Second Transfer" of the remaining 50% interest in EL #1097R was conditional on the approval of the transfer by the majority of the shareholders of NWest, for which voting was expected to occur on or before April 15, 2012 (see"Subsequent Events" note). If the Second Transfer is completed, the consideration to be issued by the Company was 1 million shares of the Company to NWest, and 1 million common share purchase warrants where each warrant entitles the holder to acquire one common share of the Company at a price equal to the 20 day weighted average price of the common shares prior to the date of issuance of the Second Transfer warrants plus an additional 20% for a period of two years from the date of issuance.

If the Second Transfer is completed and the Company spuds a well on the property, the Company is required to make an additional payment of 4,000,000 common shares to NWest; issue an additional 4,000,000 common share purchase warrants to NWest, where each additional warrant entitles NWest to acquire one common share at an exercise price equal to the 20 day weighted average price of the common shares prior to the date of issuance of the additional payment plus an additional 20% for an exercise period of two years from the date of issuance; and grant to NWest a 2% royalty on the property, with the Company having the right to purchase 0.75% of the royalty for $2,000,000 at any time. In the event that NWest does not receive shareholder approval of the Second Transfer, all parties will enter into a standard operating agreement , which shall provide for pro-rata dilution of a party's interest according to deemed contributions and actual contributions, if either party elects not to contribute its proportionate share of the costs and expenses.

During the year, the Company also bought back a 1% interest it had sold in EL #1070 to Nebu Resources Inc. ("Nebu") for consideration of $400,000 plus 500,000 common shares of the Company. Nebu had previously acquired the 1% interest in EL #1070 from the Company for $100 and a commitment to spend $500,000 on the exploration of the property, which it had fullfiled. Total consideration for the buy back of the 1% interest in EL #1070 amounted to $525,000. The fair value of the consideration received from Nebu for the acquisition could not be reliably measured and accordingly, the Company measured the the fair value of the consideration received from Nebu indirectly by reference to the fair value of the share-based payment consideration that the Company issued. Nebu and the Company have two common directors and are related parties.

12. EQUITY INSTRUMENTS

(a) Share Capital

Shares issued during year ended January 31, 2012

(i) In February 2011, the Company completed a private placement of 13,594,070 units at a subscription price of $0.35 per unit and 3,087,502 flow-through units at a subscription price of $0.40 per flow-through unit for aggregate proceeds of $5,992,925. Each unit consists of one common share of the Company and one-half of one common share purchase warrant (a "Warrant"), and each flow-through unit consists of one common share to be purchased on a flow-through basis and one-half of one common share purchase warrant (a "FT Warrant"). Each Warrant entitles the holder thereof to acquire one common share at a price of $0.50 per a common share for a period of 18 months from the date of issuance, and each FT Warrant entitles the holder to acquire one common share at a price of $0.55 per a common share for a period of 18 months from date of issuance. The Company paid cash commission of $149,247 and issued 393,634 broker warrants with an exercise price of $0.35 per a common share and term of 18 months valued at $36,711 pursuant to the financing.

(ii) In April 2011, the Company completed a private placement of 6,663,668 units at a subscription price of $0.45 per unit and 1,520,000 flow-through units at a subscription price of $0.50 per flow-through unit for aggregate proceeds of $3,758,651. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, and each flow-through unit consists of one common share to be purchased on a flow-through basis and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.60 per a common share for a period of 18 months from the date of issuance. The Company paid cash commission of $199,544 and issued 422,820 broker warrants with an exercise price of $0.45 per a common share and term of 18 months valued at $53,840 pursuant to the financing.

(iii) In July 2011, the Company completed a private placement of 1,785,000 units at a subscription price of $0.30 per unit and 4,285,000 flow-through units at a subscription price of $0.35 per flow-through unit for aggregate proceeds of $2,035,250. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, and each flow-through unit consists of one common share to be purchased on a flow-through basis and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.40 per a common share for a period of 18 months from the date of issuance. The Company paid cash commission of $122,115 and issued 364,200 broker warrants with an exercise price of $0.30 per a common share and term of 18 months valued at $34,637 pursuant to the financing.

(iv) In August 2011, the Company completed a private placement of 355,000 units at a subscription price of $0.30 per unit and 25,000 flow-through units at a subscription price of $0.35 per flow-through unit for aggregate proceeds of $115,250. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, and each flow-through unit consists of one common share to be purchased on a flow-through basis and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.40 per a common share for a period of 18 months from the date of issuance. The Company paid cash commission of $2,775 and issued 21,000 broker warrants with an exercise price of $0.30 per a common share and term of 18 months valued at $887 pursuant to the financing.

(v) In October 2011, the Company completed a private placement of 7,459,376 units at a subscription price of $0.16 per unit and 9,069,918 flow-through units at a subscription price of $0.18 per flow-through unit for aggregate proceeds of $2,826,085. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, and each flow-through unit consists of one common share to be purchased on a flow-through basis and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.30 per a common share for a period of 18 months from the date of issuance. The Company paid cash commission of $117,980 and issued 687,278 broker warrants with an exercise price of $0.16 per a common share and term of 18 months valued at $52,630 pursuant to the financing.

(vi) In October 2011, the Company issued 20,000,000 units to Canadian Imperial Venture Corp. (“CIVC”) to close its purchase from CIVC of CIVC’s interest in the Green Point oil-in-shale (see Note 11). Each unit consisted of one common share and one-half one common share purchase warrant, where each full warrant entitles the holder to acquire one common share of the Company for a strike price of $0.40 per a share for a two-year period. Total share consideration for closing of the transaction amounted to $3,300,000 and the total value of the warrants issued amounted to $246,177.

(vii) In November 2011, the Company completed a private placement of 5,342,250 units at a subscription price of $0.16 per unit and 6,718,224 flow-through units at a subscription price of $0.18 per flow-through unit for aggregate proceeds of $2,064,040. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, and each flow-through unit consists of one common share to be purchased on a flow-through basis and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.30 per a common share for a period of 18 months from the date of issuance. The Company paid cash commission of $42,973 and issued 690,660 broker warrants with an exercise price of $0.16 per a common share and term of 18 months valued at $39,631 pursuant to the financing.

(viii) In December 2011, the Company completed a private placement of 8,185,750 units at a subscription price of $0.16 per unit and 5,526,999 flow-through units at a subscription price of $0.18 per flow-through unit for aggregate proceeds of $2,304,580. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, and each flow-through unit consists of one common share to be purchased on a flow-through basis and one-half of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of $0.30 per a common share for a period of 18 months from the date of issuance. The Company paid cash commission of $147,689 and issued 557,895 broker warrants with an exercise price of $0.16 per a common share and term of 18 months valued at $36,925 pursuant to the financing.

(ix) In January 2012, the Company issued 1,000,000 common shares and 1,000,000 purchase warrants to NWest Oil and Gas Inc. (“NWest”) as partial consideration to close its acquisition of the first 50% interest in EL 1097R (see Note 11). Each warrant issued entitles the holder to acquire one common share of the Company for a strike price of $0.40 per a share for a two-year period. Total share consideration for closing of the 50% transfer amounted to $270,000 and the total value of the warrants issued amounted to $72,521.

(x) In January 2012, the Company issued 500,000 common shares to Nebu Resources Inc. ("Nebu") as partial consideration to reacquire a 1% interest in EL 1070 (See note 11). Total share consideration for the reacquisition amounted to $125,000.

For accounting purposes, the number of shares issued and outstanding of 240,240,750 as of January 31, 2012 does not include one million contingently issuable shares to Canadian Imperial Venture Corp. ("CIVC") in escrow in connection with the Company's purchase from CIVC of CIVC's interest in the Green Point oil-in-shale (see note 11). The shares placed in escrow were to be released to CIVC if the Company did not make the final payment of $200,000 for the acquisition on or before April 25, 2012. As noted in the subsequent events note, the final payment was made by the Company and the shares were cancelled subsequent to year end.

Shares Issued during year ended January 31, 2011

On November 9, 2010, Allied Northern Capital Corporation ("Allied") acquired all of the issued and outstanding common shares of Shoal Point Energy Ltd. ("SPE") in exchange for 79,231,112 common shares of Allied. As the shareholders of SPE controlled the Company once the acquisition was completed, the acquisition was accounted for as a reverse takeover per IFRS 3, Business Combinations, whereby SPE was the acquirer and Allied was the acquiree. Upon closing of this reverse takeover transaction Allied changed its name to Shoal Point Energy Ltd. As the transition did not qualify as a business combination for accounting purposes under IFRS 3, the transaction was accounted for as a capital transaction. A reverse takeover transaction is viewed as the issuance of equity by the non-public operating enterprise (SPE) to the extent there is cash in the non-operating public enterprise (Allied). Accordingly transaction costs are charged to equity only to the extent of cash received, while all costs in excess of cash received should be charged to expense. The consolidated financial statements are issued under the name of the legal parent (Allied), but are deemed to be a continuation of the legal subsidiary (SPE).

In connection with the reverse takeover, the following transactions were completed immediately prior to the transaction:

a) SPE issued 27,932,881 units at $0.22 per unit for proceeds of $6,145,234. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share for $0.28 for two years. In addition to the cash commission of $465,304, agents received 1,798,247 broker warrants. Each broker warrant entitles the holder to purchase one common share for $0.22 for two years.

b) Allied issued 11,975,000 stock options, 22,081,780 warrants in exchange of stock options, warrants and broker warrants of SPE outstanding, not exercised, prior to the closing of the reverse takeover.

As described above, the transaction was accounted for as a capital transaction, that is, a financing and recapitalization of SPE, deemed to be the acquirer for accounting purposes and its assets and liabilities are included in the consolidated financial statements of the continuing entity at their historical value.

c) the February 1, 2010 comparative figures reported are those of SPE.

d) the number and class of outstanding shares reported are those of Allied, adjusted for the acquisition while the dollar amounts relating to share capital are those of SPE.

e) contributed surplus and deficit of Allied were eliminated upon its acquisition.

f) the net assets of Allied, is included at fair value of $304,675 which was determined to be equal to the carrying value of the net assets.

The fair value of the net assets of Allied was:

Cash	$	300,000
GST/HST receivable		4,675
	$	304,675

Allied maintained its original fiscal year end and as a result of the above transaction, the fiscal year-end of SPE post the reverse takeover is January 31.

Details of the share issuances for the year ended January 31, 2011 were as follows:

(xi) On November 9, 2010, the Company issued 27,932,881 units totaling $6,145,234, where each unit includes a common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire an additional common share at a price of $0.28 for two years. The Company paid finders' fees of $465,304 and also issued 1,798,247 broker warrants, with each broker warrant being exercisable at $0.22 for two years for one additional common share. The amount of $129,349 was allocated to the 1,798,247 broker warrants determined using the Black Scholes Option Pricing Model based on the following assumptions: risk free rate of 1.57%; expected term of 2 years; volatility of 70%; and expected future dividends of nil.

(xii) Issued for debt conversion: During 2011, the Company settled $694,000 of trade payables by issuing 3,154,545 units of the Company. Each unit includes a common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire an additional common share at a price of $0.28 for two years. The amount of $181,637 was allocated to the 3,154,545 shares purchase warrants determined using the Black Scholes Option Pricing Model based on the following assumptions: risk free rate of 1.57%; expected term of 2 years; volatility of 70%; and expected future dividends of nil.

(xiii) Issued for property: The Company purchased a 5% interest in exploration license EL#1070, and the participation in an Area of Mutual Interest (AMI) from McLaren Resources Inc. for a cash payment of $150,000 and the issuance of 750,000 common shares and 250,000 warrants of the Company. Each warrant shall entitle the holder to purchase one common share of the Company at an exercise price of $0.28 for two years expiring on November 9, 2012.

(b) **Stock option plan and stock-based compensation**

The Company has a stock option plan to provide employees, directors, officers and others providing services similar to employees with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. The following summarizes the stock options that have been granted, exercised, expired, vested or cancelled during the period ended January 31, 2012.

The following table summarizes information concerning the Company's stock options outstanding as at January 31, 2012:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable - January 31, 2011	12,725,000	$ 0.25
Granted	4,200,000	0.35
Exercised	(200,000)	0.25
Expired	(150,000)	0.40
Outstanding as at January 31, 2012	**16,575,000**	**$ 0.27**

The weighted average share price on the date of exercise of the options was $0.38 per share.

The following common share purchase options are outstanding at January 31, 2012:

	Date of Grant	Number of Shares	Exercise Price	Expiry Date
Directors	October 29, 2010	3,500,000	$ 0.25	October 29, 2015
	January 20, 2011	150,000	$ 0.40	January 20, 2013
	February 22, 2011	900,000	$ 0.40	February 22, 2016
	October 26, 2011	250,000	$ 0.30	October 26, 2016
Officers	October 29, 2010	1,850,000	$ 0.25	October 29, 2015
Service Providers	October 29, 2010	1,525,000	$ 0.25	October 29, 2011
	October 29, 2010	2,800,000	$ 0.25	October 29, 2012
	October 29, 2010	2,100,000	$ 0.25	October 29, 2015
	December 16, 2010	450,000	$ 0.28	December 16, 2013
	January 20, 2011	150,000	$ 0.40	January 20, 2013
	February 22, 2011	150,000	$ 0.40	February 22, 2016
	April 20, 2011	350,000	$ 0.50	April 20, 2014
	June 21, 2011	200,000	$ 0.50	June 21, 2014
	September 6, 2011	450,000	$ 0.25	September 6, 2014
	October 6, 2011	1,500,000	$0.20-$0.30	October 6, 2014
	October 26, 2011	250,000	$ 0.30	October 26, 2014
		16,575,000		

The fair value of share purchase options granted during the year ended January 31, 2012 of $442,664 (2011 - $1,299,940) has been estimated using the Black-Scholes pricing model with the following assumptions: market value of underlying stock of $0.16-$0.45; risk free rate of 0.97-2.63%; expected term of 3-5 years; exercise price of the option of $0.20-$0.30 per share; volatility of 70% (based on comparable companies); and expected future dividends of nil.

Included in the above are 1,500,000 options granted to a service provider that are subject to a vesting period of 12 months; 1,020,000 of these options remain unvested as at year end. All other options issued during the year and options outstanding as of January 31, 2012, vested on the grant date.

(c) **Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the period ended January 31, 2012:

	Number of warrants	Amount	Weighted-average Strike Price
Opening, January 31, 2011	43,415,579	$ 5,117,021	$ 0.30
Warrants issued upon unit financings (Note 12(a))	36,809,004	1,734,174	0.50
Warrants issued on settlement of promissory note (see below)	1,000,000	160,734	0.50
Adjustment in previously issued warrants outstanding	445,943	-	0.28
Warrants issued for property acquisitions	11,000,000	318,698	0.40
Broker Warrants issued	3,137,487	255,261	0.22
Warrants exercised	(5,365,512)	(349,292)	0.16
Warrants expired	(3,709,966)	-	0.28
Adjustment in previously issued broker warrants outstanding	260,500	-	0.22
Outstanding and exercisable - January 31, 2012	86,993,035	$ 7,236,596	$ 0.41

During the year ended January 31, 2012, the Company borrowed $2,200,000 through the issuance of a secured promissory note. The Company repaid the principal balance owing under the secured promissory note during the year and issued 1,000,000 warrants on settlement, where each warrant entitles the holder to acquire one common share of the Company for a period of two years from the date of issuance at a price of $0.50 per a common share.

The fair value of warrants issued during the period ended January 31, 2012 of $2,468,867 (2011 - $3,034,971) has been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.16-$0.45; risk free rate of 0.84-1.82%; expected term of 1.5 to 2 years; exercise price of the warrants of $0.16-$0.50; volatility of 70% (based on comparable companies); and expected future dividends of nil.

The fair value of broker warrants issued during the year ended January 31, 2012 of $255,261 (2011 - $129,349) was also estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.16-$0.44; risk free rate of 0.86%-1.82%, expected term of 1.5 years, exercise price of the broker warrants, of $0.16-$0.45; volatility of 70% (based on comparable companies); and expected future dividends of nil.

At January 31, 2012, the following warrants were outstanding. All warrants issued during the year and warrants outstanding as at January 31, 2012, vested on the grant date. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date:

Exercise price	Number outstanding	Weighted average remaining contractual life	Number exercisable
$0.16	1,935,833	1.34	1,935,833
$0.22	1,761,147	0.78	1,761,147
$0.28	25,348,319	0.77	25,348,319
$0.30	21,536,583	1.29	21,536,583
$0.35	393,634	0.59	393,634
$0.40	14,225,000	1.57	14,225,000
$0.45	422,820	0.75	422,820
$0.50	15,734,113	0.71	15,734,113
$0.55	1,543,751	0.59	1,543,751
$0.60	4,091,835	0.75	4,091,835
	86,993,035	1.32	86,993,035

(d) **Contributed surplus**

	January 31, 2012	January 31, 2011	February 1, 2010
Balance, beginning of year	**$ 2,152,846**	$ 632,018	$ 427,980
Stock-based compensation expense	**442,664**	1,299,940	204,038
Exercised options	**(9,671)**	-	-
Equity portion of convertible debt	**-**	220,888	-
Balance, end of year	**$ 2,585,839**	$ 2,152,846	$ 632,018

13. PROVISION FOR WELL SUSPENSION

The $200,000 provision for well suspension relates to costs expected to be incurred in fiscal 2013 with respect to the suspension of the Company's 3K-39 oil well located on the areas covered by EL #1070.

14. COMMITMENTS AND CONTINGENCIES

Please refer to note 11 for the Company's commitments with respect to its oil and natural gas property.

Future minimum rentals payable under non-cancellable operating leases as at January 31, 2012 are $113,686 payable within one year and $405,212 payable after one year but not more than five years.

The Company also has two stand-by letters of credit in the amount of $1,000,000 each, as disclosed in note 9. The stand-by letters of credit mature on January 24, 2013 and December 21, 2012, respectively.

15. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

(a) During the year the Company paid management fees included in management fees expense of $270,400 (2011- $249,015) and consulting fees included in consulting fees expense of $143,445 (2011-$166,000) to corporations which have common officers and directors as the Company, directors of the Company, as well as corporations with common significant shareholders.

(b) Included in accounts payable and accrued liabilities is $36,189 (2011-$35,342) to directors and companies with common directors as a result of consulting fees payable.

(c) Included in rental income is $7,200 (2011-$nil) in rent charged to companies with common directors as the Company.

(d) Included in loans receivable is $264,000 (2011-$nil) from corporations which have common officers and directors as the Company, and directors and officers of the Company. Interest charged on these related party loans amounted to $4,166 (2011-$nil).

(e) Included in prepaid expenses and deposits is $10,000 (2011-$nil) of funds advanced to an officer and director of the Company.

(f) Under the Company’s stock option plan, the Company granted options valued at $185,400 (2011-$645,745) issued to certain officers and directors of the Company.

(g) During the year, the Company also reacquired a 1% interest it had sold in EL #1070 to Nebu Resources Inc. (see note 11). The Company and Nebu Resources Inc. have two common directors.

Key management of the Company includes it directors, CEO and CFO. Total compensation paid to key management during the year was $304,322 (2011-$907,745), consisting of management fees of $115,400, $3,000 for directors' fees and $185,922 in stock-based compensation.

16. INCOME TAXES

The movement in deferred tax in the consolidated statement of financial position and the Company's deferred tax assets and liabilities are as follows:

Nature of temporary differences	**2012**	2011
Oil and natural gas property	**$ 917,567**	$ 368,000
Cumulative eligible capital	**41,066**	40,000
Deferred financing and share issuance costs	**184,794**	86,000
Flow-through share expenditures renounced	**-**	(1,182,000)
Non-capital losses	**3,455,430**	4,391,000
	4,598,857	3,703,000
Deferred tax assets not recognized	**(4,598,857)**	(3,703,000)
	$ -	$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits.

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial tax rates of 30.37% (2011- 27.90%) to the loss before income taxes as follows:

	2012	2011
Expected tax recovery	**$ (572,707)**	$ (1,114,000)
Stock based compensation costs	**134,437**	362,000
Flow-through share premium renunciation	**(264,880)**	-
Effect of renouncing flow-through expenditures	**2,124,533**	-
Expense on amendment of terms of convertible debt	**-**	143,000
Change in tax rate and other	**(147,905)**	(190,000)
Change in deferred tax assets not recognized	**(1,273,478)**	799,000
	$ -	$ -

As at January 31, 2012 the Company has non-capital losses of $11,915,276 that can be used to reduce future taxable income. These losses expire as follows:

2027	$ 877,951
2028	1,587,145
2029	2,720,988
2030	1,854,814
2031	2,222,552
2032	2,651,826
	$ 11,915,276

17. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the consolidated financial statements by the weighted average number of common shares outstanding during the period. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for the year ended January 31, 2012 and 2011, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

18. SUBSEQUENT EVENTS

In February 2012, the Company completed two financings to raise a total of $6,811,800. The first financing was for $1 million for which the Company issued 3,703,704 flow-through units at $0.27 per flow-through unit where each flow-through unit is comprised of one flow-through common share and a one-half warrant where a full warrant entitles the holder to acquire one additional share at a price of $0.30 for 18 months. In connection with this financing, Shoal Point paid cash commissions of $60,000 and issued 222,222 broker warrants, where each broker warrant entitles the holder to acquire one additional common share at a price of $0.27 for a period of 18 months. The second financing raised gross proceeds of $6,000,000. This second financing was comprised of 10,864,375 units at a price of $0.32 per unit where each unit included a common share and a one-half warrant whereby a full warrant entitles the holder to acquire an additional common share at a price of $0.45 for a period of 18 months. The balance of this second financing was comprised of 7,209,714 flow-through units at a price of $0.35 per flow-through unit where each unit included a flow-through common share and a one-half warrant whereby a full warrant entitles the holder to acquire one additional common share at a price of $0.45 for 18 months. In connection with this second financing, Shoal Point paid cash commissions of $357,003 and issued 849,182 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.32 for a period of 18 months.

In February 2012, the Company also made the final payment of $200,000 to Canadian Imperial Venture Corp. ("CIVC") which was required to be made on or before April 25, 2012, as part of the Company's acquisition of CIVC's interest in the Green Point oil-in-shale (see note 11).

On March 21, 2012 the shareholders of NWest Energy Inc. ("NWest") approved the second transfer of the 50% interest in EL1097R to the Company (See note 11). In consideration for this transfer, the Company issued 1,000,000 common shares and 1,000,000 purchase warrants to NWest, with each warrant entitling NWest to acquire one common share at $0.39 for a period of two years from the date of issuance.

On May 1, 2012, the Company granted 2,550,000 stock options with an exercise price of $0.40 per a common share to consultants of the Company; 700,000 of these options expire in two years, 500,000 expire in 5 years and 1,350,000 expire six months from the date of issuance valued using the Black-Scholes options pricing model.

19. COMPARATIVE FIGURES

Certain comparative figures in note 4 -Transition to IFRS have been reclassified to conform to the presentation of the current consolidated financial statements, with no effect on loss and comprehensive loss for the comparative year.