Shoal Point Energy Ltd.

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Management Discussion and Analysis

For The Year Ended

January 31, 2012

The following Management Discussion and Analysis of Shoal Point Energy Ltd. ("Shoal Point" or the "Company") is prepared as of May 30, 2012 and should be read in conjunction with the audited consolidated financial statements for year ended January 31, 2012. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Company Profile

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.

Exploration Activities and Outlook

During fiscal 2012, the Company and partner Canadian Imperial Venture Corp ("CIVC") commenced drilling the 3K39 well. This was designed to "twin" the 2008 2K39 well which was limited in its collection of data over the Green Point shale. 3K39 is the first well designed specifically to evaluate the oil-in-shale resource potential of the Green Point Formation in Western Newfoundland.

The 3K39 well has reached a depth of 1745 metres measured depth (1194 metres true vertical depth) and cased to 1,711 meters. Hydrocarbon shows, including mud gas and fluorescence (when samples and core were treated with solvent), were seen throughout the well. The rocks are highly tectonized and fractured on a micro- to macroscopic scale, and this may explain various indications of permeability seen in the borehole, and in rocks collected from it.

Current work involves a comprehensive testing program, which will include up to four tests out of the casing in the existing 3K39 borehole, subject to final regulatory approvals of the testing program. All tests will occur within the Green Point Formation, and will test the flow potential and reservoir characteristics of Green Point shales.

The Company is proceeding with plans to source equipment to stimulate the well; the timing and scale of this operation will depend on the identification of equipment that can be brought to Western Newfoundland within a reasonable time frame over the next several months. The Company also continues to prepare an application for a significant discovery license on the area covered by existing EL #1070, its principal property, where 150,000 acres are considered prospective.

Land Acquisitions

EL #1070 and #1120

In April 2011, Shoal Point concluded a farmin agreement with Ptarmigan Energy Inc. ("PEI") of St. John's, Newfoundland and Labrador, with respect to Exploration License #1120 in western Newfoundland, as originally announced in a Letter of Intent on February 10, 2011. Under the terms of the Farmin Agreement, Shoal Point will have the right to earn into the "Shallow Rights" within a certain area of Exploration License #1120 ("Farmout Lands") by paying to PEI a total of $1,800,000, and by drilling a test well to assess the petroleum potential of the Green Point Formation on or before December 31, 2012. Once SPE has completed the earning requirements by making the aforementioned payments, and by drilling the test well, SPE will earn a 80% working interest in the "Shallow Rights" within the "Farmout Lands", with PEI retaining a 20% working interest therein.

In October 2011 Shoal Point has increased its interest in Exploration Licence #1070 (EL #1070) from 80.75% to 100%, and it is also now earning up to an 80% working interest in the 67,298 acre block in Exploration Licence #1120 (EL #1120) pursuant to the farmin agreement with Ptarmigan Energy Ltd. which was announced in a press release dated April 13, 2011. Prior to this purchase, Shoal Point was only earning up to a 48% interest in EL #1120. In addition, Shoal Point has acquired CIVC's interest in the Area of Mutual Agreement which governed numerous exploration lands in Western Newfoundland.

The consideration paid to CIVC includes 20 million units where each unit is 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 for a 2 year period. In addition, Shoal Point paid $300,000 on closing and agreed to pay an additional $200,000 six months after the closing. Shoal Point has also issued an additional 1,000,000 common shares which have been placed in escrow and if the final payment of $200,000 is not made on the due date (April 25, 2012), these shares will be released to CIVC. If the final payment is made on the due date, the escrowed shares will then be released to Shoal Point for cancellation. Additional consideration for the purchase of these additional interests included the cancellation of CIVC's outstanding share of exploration costs related to Well 3K-39 which amounts to approximately $2.6 million.

EL 1079R

In January 2012, the Company agreed to a transaction with NWest Oil and Gas Inc. ("NWest") to acquire up to a 100% undivided working legal and beneficial interest in and to EL #1097R (see note 11 to the annual consolidated financial statements). A 50% working interest in the license (the "First Transfer") was completed during fiscal 2012. The transfer of the remaining 50% interest in EL #1097R (the "Second Transfer") was conditional on the approval of the transfer by the majority of the shareholders of NWest, which was received on March 21, 2012. The Second Transfer was for 1,000,000 shares of the Company to NWest and 1,000,000 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 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.

Operations Subsequent to Year End

Subsequent to year end the Company received a Resource Evaluation from AJM Deloitte of Calgary for Exploration Licenses 1070, 1120, and 1097R, offshore western Newfoundland. The report is dated March 12, 2012 and evaluates resources of the Green Point Formation within the Humber Arm Allochthon structural unit. The report utilizes and considers a variety of geological and geophysical data, including historical and modern wells in the Port au Port and Parsons Pond areas, a large dataset of offshore 2D seismic data, regional geological mapping and interpretation, and evidence for mature hydrocarbons in shallow wells and seeps.

To date, the Company has omitted Test 1, completed a Nutech-designed Injection test on Zone 2, and attempted to recover hydrocarbons by swabbing from Zone 3. Results were disclosed in a press release dated May 25, 2012.

Summary of Results

The **Total Undiscovered Petroleum Initially-in-Place (PIIP)** for the combined Exploration Licenses, in barrels of oil, are: 11.2 billion (low estimate), 22.5 billion (best estimate), and 49.4 billion (high estimate).

The **Total Prospective Oil Resources** (defined as potentially recoverable) for the combined Exploration Licenses, in barrels of oil, are: 0.475 billion (low), 0.968 billion (best), and 2.172 billion (high).

Tabulation of Results by Property

Total Undiscovered Petroleum Initially - In –			Low	Best	High
EL 1070	Green Point Shale	Mstb	693,289	2,352,512	7,982,691
EL 1120	Green Point Shale	Mstb	704,329	2,420,715	8,319,780
EL 1097R	Green Point Shale	Mstb	9,822,002	17,687,031	33,066,136
Undiscovered PIIP			11,219,620	22,460,258	49,368,607
Total Undiscovered Petroleum - In - Place			Low	Best	High
EL 1070	Green Point Shale	Mstb	28,401	99,809	350,763
EL 1120	Green Point Shale	Mstb	28,886	102,702	365,157
EL 1097R	Green Point Shale	Mstb	418,122	766,044	1,456,179
Prospective			475,409	968,555	2,172,099

As AJM defines in its report, "**Undiscovered Petroleum Initially-In-Place** (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of Undiscovered Petroleum Initially-In-Place is referred to as Prospective Resources; the remainder as Unrecoverable", and furthermore, **"Prospective Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development". "Low" (conservative), "Best" and "High" (optimistic) estimates refer to the range of uncertainty of estimated recoverable volumes.

It should be noted that these resource estimates apply to the total distribution of the Green Point Shale in offshore west Newfoundland, of which the Company's interests currently include approximately 91% by surface area.

Subsequent to year end the Company also completed testing operations on two test intervals in the 3K39 well.

DST #2: The first test, designated "DST #2", was designed by the Company`s consultants, NuTech Energy Alliance, of Houston, as an "Injection Test" or "Extended Leakoff Test" to measure engineering parameters for planning future stimulation of the Green Point shale reservoir, and not to flow-test the reservoir. This test involved the injection of fluid into the formation over a perforated 15 metre interval (1411-1426 metres) and monitoring of the rate at which the fluid was absorbed into the formation, from which two important parameters – permeability and pore pressure - could be measured directly. This test was completed over a period of 14 days and is considered a highly accurate, industry-standard measurement of these parameters. Permeability over this interval was measured at 20.74 microdarcies (for a 40 degree API crude), and pore pressure at 0.49 psi/foot. The

Company and NuTech consider these results to be very encouraging for future development of the Green Point shale play under a full stimulation scenario (see further discussion below).

DST #3 occurred over the interval 1250 – 1350 metres which was perforated and swabbed through several cycles to measure inflow. Although good volumes of invaded drilling mud was recovered at the beginning of each swabbing period, returns declined toward the end of each period, and no free formation fluid inflow was recovered. However, indications of gas inflow were seen in swab volumes, although these were not able to be directly measured. Considering the higher than average permeabilities measured in the injection test, and numerous and diverse indications of hydrocarbons seen while drilling this section in the spring and summer of 2011, the Company believes that severe invasion and borehole damage has precluded the recovery of hydrocarbons from the formation at this time. This situation has been exacerbated because of (1) the length of time the borehole was open to the drilling fluid, and (2) the extent of pervasive natural fractures that have been studied from core, samples and the field, and which have been noted in earlier press releases.

NuTech's Comparison Study of Green Point Shale to U.S. Shale Basins

The Company has received a study from NuTech which compares average parameters of well known shale plays in the United States with those over the four test intervals, DST's #2 through #5, in the 3K39 well (DST #1 was not carried out after drillstring became stuck in the hole, as announced on April 19, 2012). This information is tabulated in the addendum affixed hereto. The Company emphasizes that these data represent *average* values compiled by NuTech from summary of past projects, literature search on the respective shale basins, and analysis of their NuView histograms of public area studies.

Several important results of the comparison are noted, as follows: (1) Green Point porosities (measured from logs) and permeability (measured on the injection test in DST #2) are considerably higher than the U.S. basins average, indicating that the Green Point has a high proportion of "cleaner", non- shale material within its cycles, and that pervasive fracturing may be contributing to porosity and permeability; (2) pore pressure (from the injection test) is comparable to that of the U.S. basins, *i.e.*, the zone is slightly overpressured; (3) clay volumes are comparable to those of the U.S. basins; (4) TOCs are comparable to those of the U.S. basins; (5) oil content (total for the four combined DST intervals only, which represent approximately 82% of the net pay in the well), is 123.6 MMBOE/section, and is considerably larger than that for the two liquids plays presented in Table 1 (Niobrara, 21 – 43 MMBOE/section, and Utica/Mt. Pleasant, 4-16 MMBOE/section). The reader is also referred to previous petrophysical analysis of the Shoal Point 2K39 well and Long Point M-16 well, which returned values of 380 MMBOE/section, and 930 MMBO/section, respectively (see news release of April 20, 2011).

Overall Performance

As at January 31, 2012 the Company's cash position increased to $857,656 from $430,516 at the 2011-year end, mainly due to funds raised in private placements that were not yet spent on oil and gas exploration or operating expenses during the year. Significant amounts were dedicated to the drilling program. The Company will continue to focus on financing the oil and gas exploration program and maintenance of its interest in the three licensed properties.

Financing during the year consisted of a sum of $17,362,607 raised from the issuance of 73,617,757 shares issued in conjunction with 36,808,879 warrants. Exercise of warrants and options accounted for another 5,565,512 shares being issued for $1,234,800.

Selected Annual Information

The following table reflects the summary of results for the years set out.

For the years ended January 31	**2012**	**2011**
Net loss and comprehensive loss for the year	($1,885,764)	($3,963,944)
Basic and fully diluted earnings per share	($0.01)	(0.06)
Assets	$31,327,063	$8,953,883
Liabilities	$2,416,990	$1,093,259

Results of Operations

During the year ended January 31, 2012, the Company recorded a net loss and comprehensive loss of $1,885,764 ($0.01) per common share compared to a net loss of $3,963,944 ($0.06) per common share for the year ended January 31, 2011. During the years ended January 31, 2012 and 2011, the Company had no revenues from operations.

For the year ended January 31, 2012, there was interest expense of $161,045 (January 31, 2011 - $806,591), management fees of $285,400 (January 31, 2011 - $249,015), professional fees of $315,664 (January 31, 2011 - $244,811), office, general and administrative expenses of $608,457 (January 31, 2011 - $336,809), stock-based compensation of $442,664 (January 31, 2011 - $1,299,940), and consulting fees of $877,976 (January 31, 2010 - $444,908).

Overall, total expenses in fiscal 2012 were lower, due to the expense incurred on amendment of the terms of the convertible debt in 2011, lower stock-based compensation paid to directors, officers and employees of the Company during the current year, as well as the fact that in fiscal 2011 there was interest expense that was incurred on outstanding convertible debt that was settled part way through the 2011 fiscal year.

Summary of Quarterly Results

Quarterly Financial Information (unaudited)

For the three months ended		January 31, 2012		October 31, 2011		July 31, 2011		April 30, 2011
Net Income (loss) (in thousands)	$	(98)	$	(775)	$	(639)	$	(373)
Net Income (loss) per share (Basic & Fully Diluted)	$	(0.00)	$	(0.00)	$	(0.00)	$	(0.00)
Total Assets (in thousands)	$	31,327	$	25,990	$	19,834	$	20,234
Shareholders' equity (in thousands)	$	28,910	$	23,936	$	18,817	$	16,956

Prior to the first quarter of 2011, the Company was private and reporting quarterly earnings was not required.

Changes in Accounting Policies

The Company's consolidated financial statements for the year ended January 31, 2012 are the first financial statements that comply with IFRS. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was February 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company is January 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

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

1. 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.

2. 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.

3. 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 Exception

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of February 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

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 effective or available for adoption on January 31, 2012, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue, and expenses within its consolidated financial statements.

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 affected the calculation of the share-based compensation expense.

Expiration of share-based compensation

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. Under IFRS, the Company continues to use its current 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.

f) Presentation

The presentation in accordance with IFRS differs from the presentation in accordance with Canadian GAAP. Please refer to the consolidated statements of financial position and consolidated statements of operations and comprehensive loss, and shareholders' equity for the impact of the specific IFRS changes noted above.

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.

Liquidity

The Company has cash of $857,656 and other current assets to continue to operate during the upcoming year. However, ongoing oil and natural gas exploration expenditures will ultimately exhaust the resources of the Company. Accordingly, subsequent to the year-end, the Company raised the following funds:

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.

Capital Resources

The Company relies primarily on equity financing to fund its working capital needs. The Company anticipates seeking a capital infusion from private investors to continue to fund exploration and corporate administrative activities.

As at January 31, 2012, the Company's share capital was $45,099,943 (January 31, 2011 - $24,717,298) representing 240,240,750 (January 31, 2011 – 139,183,497) issued and outstanding common shares without par value. As at January 31, 2012 , the Company had 86,993,035 (January 31, 2011 – 43,415,579) warrants outstanding exercisable at varying prices (see note 12(c) of the annual consolidated financial statements).

The Company's deficit was $26,012,305 as at January 31, 2012 (January 31, 2011- $24,126,541).

Off-Balance Sheet Transactions

The Company has no off balance sheet transactions.

Commitments and Contingencies

As part of the Company's acquisition of Canadian Imperial Venture Corp's ("CIVC's") interest in the Green Point oil-in-shale during the year, the Company is required to pay $200,000 on or before April 25, 2012. The amount was paid after year end.

During the year, the Company agreed to a transaction with NWest Oil and Gas Inc. ("NWest") to acquire up to a 100% undivided working legal and beneficial interest in and to EL #1097R (see note 11). A 50% working interest is the license (the "First Transfer") was completed during fiscal 2012. The transfer of the remaining 50% interest in EL #1097R (the "Second Transfer") is 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, and for which approval was received subsequent to year end. The Second Transfer was for 1,000,000 shares of the Company to NWest and 1,000,000 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 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 order to earn its working interest of 80% in EL #1120 Shallow Rights pursuant to the farm-in agreement with Ptarmigan Energy Ltd., 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 the Company spuds the well, the Company is required to make a payment of $300,000 within two business days of such date.

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 of the annual consolidated financial statements. The stand-by letters of credit mature on January 24, 2013 and December 21, 2012, respectively.

RELATED PARTY TRANSACTIONS

Technical and administrative support is received from directors and officers of the Company and paid for at rates representative of fair market value.

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.

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.

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

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).

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

Under the Company's stock option plan, the Company granted options valued at $185,400 (2010- $645,745) issued to certain officers and directors of the Company

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

Key management of the Company includes its directors, CEO and CFO. Total compensation paid to key management during the year was $304,322 (2010- $907,745).

Private Placements

- 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.

- 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.
- 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.
- 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.
- 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.

- 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 to the annual consolidated financial statements). 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.
- 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.
- 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.
- 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 to the annual consolidated financial statements). 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.
- 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 to the annual consolidated financial statements). Total share consideration for the reacquisition amounted to $125,000.

Outstanding Share Data

For additional detail, see Note 12 of the audited consolidated financial statements.

	Number Issued and Outstanding January 31, 2012	Number Issued and Outstanding January 31, 2011
Common Shares issued and outstanding	240,240,750	139,183,497
Options to purchase Common Shares	16,575,000	12,725,000
Warrants to purchase Common shares	86,993,035	43,415,579

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 to the annual consolidated financial statements).

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 to the annual consolidated financial statements). 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.

Risks and Uncertainties

The Company's principal activity is oil and natural gas exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, commodity prices, political and economical.

The Company has no significant source of operating cash flow and no revenue from operations. The Company has not determined whether its resource properties contain reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves.

The property interests that the Company has or has an option to earn an interest in are in the exploration stage only. Oil and natural gas exploration involves a high degree of risk and few properties, which are explored, are ultimately developed. Exploration of the Company's properties may not result in any discoveries of commercial bodies of resources. If the Company's efforts do not result in any discovery of commercial resources, the Company will be forced to look for other exploration projects or cease operations.

The Company may be subject to risks which could not reasonably be predicted in advance. Events such as labour disputes, environmental issues, natural disasters or estimation errors are prime examples of industry related risks.

The Company is in the business of oil and natural gas exploration and as such, its prospects are largely dependent on movements in the price of oil and natural gas. Prices fluctuate on a daily basis and are affected by a number of factors beyond the control of the Company. The resource exploration industry in general is a competitive market and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist. Due to the current grassroots nature of its operations, the Company does not enter into price hedging programs.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

Environmental Risks and Hazards

All phases of the Company's exploration operations are subject to environmental regulations in the jurisdictions it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental

hazards may exist on the properties on which the Company holds interests, which are unknown to the Company at present and which may have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of oil and natural gas properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities which may cause operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in oil and natural gas operations may be required to compensate those suffering loss or damage by reason of the oil and natural gas activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of oil and natural gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures and production costs. They may also cause a reduction in levels of production at producing properties or they may require abandonment or delays in development of new oil and natural gas properties.

To the Company's knowledge, there are no liabilities to date which relate to environment risks or hazards.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could 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.

Management's Evaluation of Disclosure Controls and Internal Controls over Financial Reporting

Management is responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that

- material information relating to the Company is made known to us by others, particularly during the year in which the annual filings are being prepared, and

- information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with IFRS.

Changes to accounting policies or business processes as a result of the IFRS conversion did not materially affect the Company's internal controls over financial reporting. There have been no significant changes to the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the year ended January 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

Due to inherent limitations, internal control over financial reporting and disclosure controls can provide only reasonable assurances and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as well as internal controls over financial reporting at the end of the year covered by this MD&A and has concluded that the above named control processes and procedures are appropriately designed and effective as at January 31, 2012.

Caution Regarding Forward Looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of oil and natural gas; success of exploration activities; cost and timing of future exploration and development; the estimation of oil and natural reserves and resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not

anticipate", "believes", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to:

- *The Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic resources;*
- *Management's assessment of future plans for the Green Point oil-in-shale, Newfoundland, Canada.*
- *Management's economic outlook regarding future trends;*
- *The Company's ability to meet its working capital needs at the current level in the short term;*
- *Expectations with respect to raising capital;*
- *Sensitivity analysis on financial instruments may vary from amounts disclosed; and*
- *Governmental regulation and environmental liability.*

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, other factors could also cause materially different results. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Signed

"*Brian Murray*"

Brian Murray
Chief Financial Officer
May 30, 2012