A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, except Newfoundland and Labrador, Quebec, Prince Edward Island and Saskatchewan, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about the securities offered hereunder and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or any state securities laws. Accordingly, except to the extent certain transactions are exempt from the registration requirements of the 1933 Act and applicable state securities laws, these securities may not be offered or sold within the United States or to U.S. persons (as such term is defined in Regulation S under the 1933 Act). This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

Initial Public Offering **PRELIMINARY PROSPECTUS** July 4th, 2012

SHOAL POINT ENERGY LTD.

Minimum Offering: $9,000,000
Maximum Offering: $25,000,000

up to ● Units and/or up to ● Flow-Through Shares

Price: $● Per Unit and $● Per Flow-Through Share

Shoal Point Energy Ltd. (the "**Corporation**") hereby offers for sale (the "**Offering**"), through Kingsdale Capital Markets Inc. (the "**Agent**") on a best efforts basis, common shares ("**Common Shares**") of the Corporation to be issued on a "flow-through" basis (the "**Flow-Through Shares**") under the *Income Tax* Act (Canada) (the "**Tax Act**") and units ("**Units**") such that the combination of Units and Flow-Through Shares will result in aggregate gross proceeds of $● assuming the minimum Offering (the "**Minimum Offering**") or $● assuming the maximum Offering (the "**Maximum Offering**"). The Corporation, together with the Agent, have agreed that a minimum of $● worth of Units must be sold for the Offering to be completed. The actual sales can comprise any combination of Flow-Through Shares and Units provided that the sale of the minimum number of Units is met. Each Unit will consist of one Common Share and one-half of one common share purchase warrant (a "**Warrant**"). Each whole Warrant will entitle the holder thereof to acquire one additional Common Share at any time within 18 months of the date of issuance of the Warrants at a price of $● per Common Share. The Flow-Through Shares are being offered at a price of $● per Flow-Through Share and the Units are being offered at a price of $● per Unit. The price and terms of these securities were determined by negotiation between the Corporation and the Agent. See "*Description of Securities of the Corporation"* and "*Plan of Distribution*".

The aggregate proceeds of the issuance of the Flow-Through Shares will constitute the flow-through funds (the "**Flow-Through Funds**"). The Corporation will incur and renounce to subscribers of Flow-Through Shares, Qualifying Expenditures (as hereinafter defined) as to $● per Flow-Through Share effective on or before December 31, 2012. Assuming completion of the Minimum Offering, 100% of the Flow-Through Funds will be expended on Canadian exploration expense. Based on the current provisions of the Tax Act, estimated deductions to subscribers of Flow-Through Shares, for income tax purposes will total $● per Flow-Through Share in 2012. See "*Summary of the Prospectus - Estimated Expenditures and Income Tax Deductions*" and "*Certain Canadian Federal Income Tax Considerations*".

	Price to the Public	Agent's Commission[(1)]	Net Proceeds to the Corporation[(2)]
Per Unit	$●	$●	$●
Per Flow-Through Share	$●	$●	$●
Minimum Offering	$9,000,000	$630,000	$8,370,000
Maximum Offering	$25,000,000	$1,750,000	$23,250,000

Notes:

(1) The Corporation has agreed to pay the Agent a fee equal to 7% of the gross proceeds of the Offering, subject to a fee equal to 3% of the gross proceeds of the Offering in respect of proceeds from investors on the President's List (as hereinafter defined). The Corporation has agreed to grant to the Agent non-transferable options (the "**Agent's Options**") to purchase that number of Common Shares equal to 7% of the aggregate number of Flow-Through Shares sold under the Offering (subject to a reduction to that number of Common Shares equal to 3% of the aggregate number of Flow-Through Shares sold under the Offering from investors on the President's List) and that number of Common Shares equal to 7% of the aggregate number of Units sold under the Offering (subject to a reduction to that number of Units equal to 3% of the aggregate number of Units sold under the Offering from investors on the President's List) at a price of $● per Common Share for a period of 24 months from closing of the Offering. This Prospectus also qualifies the distribution of the Agent's Option. The Corporation has also agreed to reimburse the Agent for its expenses in connection with the Offering, subject to a maximum of $25,000 for fees of Agent's counsel, plus disbursements and HST. See "*Plan of Distribution*".

(2) Before deducting the expenses of the Offering (including the fees and expenses of the Agent, including their legal counsel, and listing fees) which, together with the Agent's fees, will be deducted from the proceeds from the Offering.

(3) The Corporation will grant to the Agent an option (the "**Over-Allotment Option**") exercisable in whole or in part for a period of 30 days from closing of the Maximum Offering, to purchase an aggregate of up to an additional 15% of the Flow-Through Shares or Units, or a combination thereof, offered pursuant to the Offering at a price of $● per Flow-Through Share or $● per Unit solely to cover Over-Allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the Maximum Offering, the Agent's commission and net proceeds to the Corporation, before deducting the expenses of the Offering, will be $28,750,000, $2,012,500 and $26,737,500, respectively. This Prospectus also qualifies for distribution the grant of the Over-Allotment Option. A Purchaser who acquires Flow-Through Shares or Units forming part of the Agent's over allocation position acquires those Flow-Through Shares or Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See *"Plan of Distribution"*.

The Agent conditionally offers the Units and Flow-Through Shares on a "best efforts" basis, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under "*Plan of Distribution*", subject to approval of legal matters on the Corporation's behalf by Irwin Lowy LLP, of Toronto, Ontario and on the Agent's behalf by Beard Winter LLP, of Toronto, Ontario.

The Common Shares are listed for trading on the Canadian National Stock Exchange ("CNSX") under the symbol "SHP". On ●, 2012, the last trading price of the Common Shares was ●.

The Corporation's securities are considered to be highly speculative due to the nature of the Corporation's business and its formative stage of development. The Corporation was incorporated to pursue oil and gas exploration, development, production and acquisitions in Canada, the success of which cannot be assured. The Corporation has no present intention to pay any dividends on its Common Shares. The Corporation has history of earnings. Subscribers must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. See "*Risk Factors*".

Subscriptions for Units and Flow-Through Shares will be received subject to rejection or allotment, in whole or in part, and the Corporation reserves the right to close the subscription books at any time without notice.

The Offering is not underwritten. Provided the Minimum Offering and the minimum number of Units have been subscribed for, it is expected that the closing of the Offering (the "**Closing**") will take place on or about ●, 2012, subject to postponement, as the Agent and the Corporation may agree, to not later than ● , 2012. Should Closing occur in respect of the Minimum Offering, one or more additional Closings, if necessary, may occur until the earlier of the Offering being fully subscribed and ●, 2012. Notwithstanding the foregoing, the Offering will be discontinued in the event that a Closing in respect of the Minimum Offering has not occurred on or prior to the date which is 90 days from the issuance of a receipt for this Prospectus, unless each of the persons or companies who have subscribed within such period consents to the continuation of the Offering.

Until such time as a Closing has occurred in respect of the Minimum Offering, all subscription funds received by the Agent will be held by the Agent pending Closing of the Minimum Offering. If the Minimum Offering has not been subscribed for prior to the expiry of the 90 day period described above, the Agent shall promptly return the proceeds of subscriptions to the subscribers without interest or deduction unless such subscribers have otherwise instructed the Agent.

Certificates for the Common Shares and Warrants comprising the Units and certificates representing the Flow-Through Shares are expected to be available for delivery at Closing. No Unit certificates will be issued.

Other than the Agent, no underwriter has been involved in the preparation of this prospectus or performed any review of the contents of this prospectus.

The following table sets out the number of options and other compensation securities that have been issued or may be issued by the Corporation to the Agent:

Agent's Position	**Maximum size or number of securities available**	**Price to the Public**	**Exercise Period**	**Exercise Price)**
Over-Allotment Option.............	●	$●	30 days following closing of the Maximum Offering	$● per Flow-Through Share or $● per Unit
Agent's Options........................	●	$●(1)	24 months following closing of the Offering	$● per Common Share or $● per Unit

Notes:

(1) Assuming that the Over-Allotment Option is exercised in full.

AGENT:

Kingsdale Capital Markets Inc.
55 University Avenue, Mezzanine Level
P.O. Box 47, Toronto, Ontario
M5J 2H7
Tel: 416-867-2353
Toll Free: 1-877-373-6007
Fax: 416-867-4566

TABLE OF CONTENTS

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS 1
SUMMARY OF THE PROSPECTUS 2
GLOSSARY 8
CONVENTIONS 10
ABBREVIATIONS 10
CONVERSIONS 10
THE CORPORATION 12
GENERAL DEVELOPMENT OF THE BUSINESS 13
OIL AND GAS RESERVES 20
USE OF PROCEEDS 60
DIVIDENDS OR DISTRIBUTIONS 61
MANAGEMENT'S DISCUSSION AND ANALYSIS 61
SELECTED FINANCIAL DATA FOR THE CORPORATION 96
DESCRIPTION OF SECURITIES DISTRIBUTED PURSUANT TO THE OFFERING 97
SHARE CAPITAL OF THE CORPORATION 99
PRIOR SALES 100
ESCROWED SECURITIES AND OTHER SECURITIES SUBJECT TO RESALE RESTRICTIONS 104
PRINCIPAL SHAREHOLDERS 105
DIRECTORS, OFFICERS AND KEY PERSONNEL OF THE CORPORATION 105
STATEMENT OF EXECUTIVE COMPENSATION 112
AUDIT COMMITTEE INFORMATION REQUIRED FOR A VENTURE ISSUER 122
STATEMENT ON CORPORATE GOVERNANCE 124
PLAN OF DISTRIBUTION 127
CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS 129
RISK FACTORS 134
PROMOTERS AND PAST PROMOTERS OF THE CORPORATION 143
LEGAL PROCEEDINGS AND REGULATORY ACTIONS 143
AUDITORS, REGISTRAR AND TRANSFER AGENT 144
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 144
MATERIAL CONTRACTS 144
EXPERTS 145
OTHER MATERIAL FACTS 145
STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION 145
FINANCIAL STATEMENTS A-1
CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS B-1
CERTIFICATE OF THE CORPORATION C-1
CERTIFICATE OF THE PROMOTER C-2
CERTIFICATE OF THE AGENT C-3

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should', `believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Prospectus should not be unduly relied upon. These forward-looking statements speak only as of the date of this Prospectus.

In particular, this Prospectus may contain forward-looking statements pertaining to the following:

- oil and natural gas production levels;
- capital expenditure programs;
- the quantity of oil and natural gas reserves;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions, exploration and development; and
- treatment under governmental regulatory and taxation regimes.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Prospectus:

- volatility in market prices for oil and natural gas;
- potential liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange, interest rates and stock markets; and
- the other factors discussed under “*Risk Factors*”.

These factors should not be considered exhaustive. Other than the continuous disclosure obligations set forth in National Instrument 51-102 - *Continuous Disclosure Obligations*, the Corporation does not undertake any obligation to publicly update or revise any forward looking statements.

SUMMARY OF THE PROSPECTUS

The following is a summary of the principal features of this Offering and distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Capitalized terms used in this summary which are not defined in the Glossary have the meanings ascribed to them elsewhere in the Prospectus. Reference is made to the Glossary for the definitions of certain terms with initial capital letters used in this Prospectus and in this summary.

Principal Business

The Corporation, through its wholly owned subsidiary Shoal Point Energy Inc., is currently engaged in oil and gas exploration, development, production, and acquisitions in Canada, specifically in Atlantic Canada.

The Offering

Pursuant to the Offering, the Corporation intends to raise a minimum of $● and a maximum of $● ($● in the event the Over-Allotment Option is exercised in full) whereby investors may acquire Flow-Through Shares or Units, or a combination thereof, at a price of $● per Flow-Through Share or $● per Unit. The Corporation, together with the Agent, have agreed that a minimum of ● Units must be sold for the Offering to be completed. The actual sales can comprise any combination of Flow-Through Shares and Units provided that the sale of the minimum number of Units is met. Each Unit will consist of one Common Share and one-half of one Warrant. Each whole Warrant will entitle the holder to acquire one additional Common Share at any time within 18 months of the closing of the Offering at a price of $● per Common Share.

The Corporation will also grant to the Agent, the Agent's Options, which options are also qualified under this Prospectus. See "*Plan of Distribution*".

The Corporation will also grant to the Agent the Over-Allotment Option solely to cover Over-Allotments, if any, and for market stabilization purposes. This Prospectus also qualifies both the grant of the Over-Allotment Option and the issuance of securities upon exercise of such option. See "*Plan of Distribution*".

Price and Subscription Procedure

The subscription price of $● per Unit and $● per Flow-Through Share is payable at the time of Closing by cheque dated at the subscription date (or such other method of payment as is acceptable to the Agent). See "*Plan of Distribution*".

Closing

Provided the Minimum Offering has been subscribed for, the Closing will take place on or about ●, 2012 subject to postponement, as the Agent and the Corporation may agree, to not later than ●, 2012. One or more additional Closings may occur until the earlier of the Offering being fully subscribed and ●, 2012. See "*Plan of Distribution*".

The Corporation

The Corporation was incorporated on February 28, 1988 under the *Business Corporations Act* (Ontario), as Allied Northern Resources Ltd. By Articles of Amendment dated January 8, 2009, the Corporation changed its name to Allied Northern Capital Corporation and on November 9, 2010, the Corporation changed its name to Shoal Point Energy Ltd. The Corporation was incorporated for the purpose of the acquisition, exploration and development of oil and natural gas properties in Canada. The Corporation is a reporting issuer in Ontario.

Directors, Officers and Key Personnel of the Corporation

Name	**Title**
Howard Hanick	Director
John Clarke	Director
Donald Sheldon	Director
Norman Davidson Kelly	Director, Chairman
George Langdon	President
Brian Murray	Director, Chief Financial Officer
Steve Millan	Director
Shawn Skinner	Director

See "*Directors, Officers and Key Personnel of the Corporation*".

Use of Proceeds

The gross proceeds to the Corporation will be $9,000,000 if the Minimum Offering is sold and $25,000,000 if the Maximum Offering is sold ($28,750,000 in the event the Over-Allotment Option is exercised in full). The net proceeds to the Corporation from the Offering after deducting the anticipated Agent's Commission (assuming there are no investors to this Offering from the President's List) are estimated to be $8,370,000 if the Minimum Offering is sold and $23,250,000 if the Maximum Offering is sold ($26,737,500 in the event the Over-Allotment Option is exercised in full). The total funds available to the Corporation at Closing after deducting the estimated expenses of the Offering of $● in the case of the Minimum Offering and $● in the case of the Maximum Offering, not including any proceeds from the Over-Allotment Option or the exercise of any outstanding stock options or warrants to purchase Common Shares and including the estimated working capital of the Corporation as at ●, 2012 of **$●** are estimated to be **$●** if the Minimum Offering is sold and **$●** if the Maximum Offering is sold ($● in the event the Over-Allotment Option is exercised in full). The Corporation intends to expend its allocated total funds available as follows:

Use of Available Funds[1]	Minimum Offering	Maximum Offering[2]
Accounts Payable	$2,500,000	$2,500,000
Operating Capital for 12 months[3]	$2,500,000	$2,500,000
Drilling	$2,000,000	$2,000,000
Fracking	$2,000,000	$2,000,000
Drilling on EL#1120	--	$8,000,000
Drilling on EL#1097R	--	$8,000,000
	$9,000,000	**$25,000,000**

Notes:

(1) *Upon completion of the Offering, the Corporation intends to spend the funds available to it to carry out certain proposed exploration programs set forth in this table and further described under the heading "Use of Proceeds". However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.* ***The Corporation may redirect funds to other properties or activities, but will only do so upon the basis of a written recommendation from an independent professional geologist or engineer****. If the Corporation does make a reallocation of funds, it will continue to ensure that it expends funds equal to 100% of the gross proceeds derived from the sale of Flow-Through Shares on Qualifying Expenditures.*

(2) Does not include issuance of any Flow-Through Shares or Units pursuant to an exercise of the Over-Allotment Option

(3) Includes general and administrative expenses.

A breakdown of the Corporation's estimated general and administration expenses and other expenditures for the next twelve months can be found under "*Use of Proceeds*".

Estimated Expenditures and Income Tax Deductions

The Corporation will cause the Flow-Through Funds to be expended on Qualifying Expenditures which will be renounced by the Corporation to the subscribers of Flow-Through Shares effective on or before December 31, 2012 pursuant to the Tax Act. **Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in the Flow-Through Shares.** See "*Certain Canadian Federal Income Tax Considerations*" and "*Risk Factors*".

TABLE 1

Estimated 2012 Qualifying Expenditures[1][2]

	Minimum Offering	Maximum Offering
CEE	$●	$●
TOTAL	$●	$●

TABLE 2

Estimated deductions for income tax purposes[(3)]
(Assuming Minimum Offering and a Subscription of $5,000)

	2012
CEE	$5,000
TOTAL	$5,000

Notes:

(1) *These tables have been prepared on the basis that the Flow-Through Funds of $5,000 (per assumed subscription of $5,000) paid for the Flow-Through Shares pursuant to the Offering will be expended on Qualifying Expenditures which will be renounced by the Corporation to the subscribers effective on or before December 31, 2012 pursuant to the Tax Act. Qualifying Expenditures will be incurred such that all of the Flow-Through Funds will be expended on CEE.*

(2) *Although a precise estimate as to the nature and timing of the expenditure of the Flow-Through Funds cannot be provided, the tables summarize the estimated Qualifying Expenditures expected to be incurred by the Corporation.*

(3) *The deductions for income tax purposes are based on 100% of CEE being deductible for the year renounced.*

The Corporation agrees to renounce in favour of subscribers for Flow-Through Shares effective on or before December 31, 2012 an amount equal to $● per Flow-Through Share subscribed for. To effect such renunciation, the Corporation must expend an amount equal to the Flow-Through Funds on Qualifying Expenditures on or before December 31, 2013. If the Corporation fails to incur such Qualifying Expenditures, the Corporation will be required to restate the amount of expenses that it has renounced in favour of the subscribers for Flow-Through Shares, which may increase the tax payable by such subscribers under the Tax Act (or under any corresponding provincial legislation). In this event, the Corporation has agreed to indemnify subscribers of Flow-Through Shares to the extent allowed under the Tax Act for the amount of any tax payable or that becomes payable under the Tax Act (or under any corresponding provincial legislation) by the subscriber in such circumstances.

No assurance can be given that the actual allocation of expenditures or the timing thereof will in whole or in part approximate the estimates set forth above, nor that the CRA (as hereinafter defined) will agree with the characterization or the renunciation of the expenditures by the Corporation. See "*Certain Canadian Federal Income Tax Considerations*" and "*Risk Factors*".

Eligibility for Investment

In the opinion of Irwin Lowy LLP, counsel to the Company and Beard Winter LLP, counsel to the Agent, based on the current provisions of the Tax Act, provided that at the relevant time either: (i) the Common Shares are listed on a "designated stock exchange" within the meaning of the Tax Act, (which currently includes the CNSX and the TSXV); or (ii) the Company is a "public corporation" (as that term is defined in the Tax Act), the Common Shares and the Warrants will be "qualified investments" under the Tax Act for a trust governed by a registered retirement savings plan ("**RRSP**"), registered retirement income fund ("**RRIF**"), registered education savings plan, deferred profit sharing plan, registered disability savings plan and a tax free savings account ("**TFSA**") (all as defined by the Tax Act) (collectively the "**Deferred Plans**"), provided that, in the case of the Warrants, each person that is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, such a Deferred Plan, deals at arm's length with the Company (within the meaning of the Tax Act).

Notwithstanding the foregoing, the annuitant of a RRSP or a RRIF or the holder of a TFSA, as the case may be, will be subject to a penalty tax if the Common Shares or Warrants held in a RRSP, RRIF or TFSA are a "prohibited investment" for the purposes of the Tax Act. The Common Shares and Warrants will generally be a "prohibited investment" if the annuitant or the holder, as the case may be, does not deal at arm's length with the Company for the purposes of the Tax Act or has a "significant interest" (as defined in the Tax Act) in the Company or a corporation, partnership or trust with whom the Company does not deal at arm's length for the purposes of the Tax Act. **Subscribers should consult their own tax advisors to ensure that the Shares and Warrants would not be a "prohibited investment" for a trust governed by a RRSP, RRIF or TFSA in their particular circumstances.**

It is not anticipated that Deferred Plans will subscribe for Flow-Through Shares as Deferred Plans will not benefit from a deduction in respect of Qualifying Expenditures as described below under "Certain Canadian Federal Income Tax Considerations". However, Subscribers may wish to transfer their Flow-Through Shares to a Deferred Plan following the initial purchase. Such a transfer will be deemed for the purposes of the Tax Act to be a disposition for proceeds equal to the fair market value of the Flow-Through Shares on the date of the transfer. Subscribers who intend to transfer all or a portion of their Flow-Through Shares to a Deferred Plan should consult their own tax advisors as to the tax consequences of such a transfer, having regard to their own particular circumstances.

Risk Factors

The securities of the Corporation are considered to be highly speculative due to the nature of the Corporation's business and its formative stage of development. The Corporation was formed to participate in oil and gas exploration, development, production and acquisitions in Canada. The Corporation plans to pursue these objectives by working with other industry partners through joint ventures and by exploring for oil and gas through internally generated prospects, the success of which cannot be assured. The Corporation has no history of earnings. There are additional risks associated with the investment relating to the Corporation's prospects for success, availability of subsequent financing, competition in the industry, potential liability for damages arising during operations, governmental regulation, availability of oil and gas markets, fluctuating commodity prices and changes in income tax laws. In assessing the risks of an investment in the Units or Flow-Through Shares, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management of the Corporation. **An investment in Units or Flow-Through Shares is suitable for only those investors who are willing to risk a loss of their entire investment and who can afford to lose their entire investment. Subscribers should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in Units or Flow-Through Shares.** See "*Risk Factors*".

Summary Financial Information

The selected financial information set out below is based on and derived from the unaudited interim consolidated financial statements of the Corporation for the three months ended April 30, 2012 and the audited annual consolidated financial statements of the Corporation for the year ended January 31, 2012, prepared in accordance with International Financial Reporting Standards and the audited annual consolidated financial statements of the Corporation for the year January 31, 2011 prepared in accordance with Canadian generally accepted accounting principles. See "*Financial Statement*" attached as Appendix "A".

	As at the three-month period ended April 30, 2012 (Unaudited)	**As at January 31, 2012 (Audited)**	**As at January 31, 2011 (Audited)[1]**
Balance Sheet			
Assets	$39,420,083	$31,327,063	$8,953,883
Liabilities	$4,124,827	$2,416,990	$1,093,259
Shareholder's equity	$35,205,256	$28,910,073	$7,860,624
Deficit	$(26,598,580)	$(26,012,305)	$(24,126,541)
Statements of Loss and Deficit			
Interest and other income	$(22,490)	$(32,922)	$(3,346)
Expenses	$608,765	$2,790,864	$3,981,290
Loss and comprehensive loss for the period	$(586,275)	$(1,885,764)	$(3,963,944)

Notes:

(1) These numbers were adjusted in accordance with International Financial Reporting Standards.

GLOSSARY

In this Prospectus, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"**1933 Act**" means the United States Securities Act of 1933, as amended;

"**Agency Agreement**" means the agency agreement dated July 4th, 2012 with respect to the Offering between the Corporation and the Agent as more particularly described under the heading "*Plan of Distribution*";

"**Agent**" means Kingsdale Capital Markets Inc.;

"**Agent's Commission**" means the fee of 7% of the gross amount raised under the Offering and payable to the Agent pursuant to the Agency Agreement, subject to a reduced fee of 3% for those investors to the Offering from the President's List;

"**Agent's Options**" means the non-assignable options granted by the Corporation to the Agent to purchase that number of Common Shares equal to 7% of the total Units distributed pursuant to the Offering to investors not on the President's List and 3% of the total number of Units distributed pursuant to the Offering to investors on the President's List and that number of Common Shares equal to 7% of the total Flow-Through Shares distributed pursuant to the Offering to investors not on the President's List and 3% of the total number of Flow-Through Shares distributed pursuant to the Offering to investors on the President's List, exercisable at $● per Common Share;

"**Closing**" means closing of the issue and sale of Units and Flow-Through Shares pursuant to the Offering;

"**Closing Date**" means the date of Closing the Offering and the date of any subsequent closings, the first of which is expected to occur on or about ●, 2012 but may occur on such other date as the Agent may agree and as may be consented to by persons or companies who subscribed within that period, but in any event not later than ●, 2012;

"**CNSX**" means the Canadian National Stock Exchange;

"**Commissions**" means collectively, the British Columbia Securities Commission, the Alberta Securities Commission, the Manitoba Securities Commission, the Ontario Securities Commission, the Nova Scotia Securities Commission, the Registrar of Securities and the New Brunswick Securities Commission;

"**Common Share**" or "**Common Shares**" means, respectively, one or more common shares in the capital of the Corporation;

"**Corporation**" means Shoal Point Energy Ltd.;

"**CRA**" means the Canada Revenue Agency;

"**Escrow Agreement**" means the agreement dated ●, 2012 among the Corporation, ● and certain shareholders of the Corporation, in respect of those ● Common Shares to be escrowed in connection with the Offering pursuant to applicable regulatory requirements;

“**Expenditure Period**” means the period commencing on the date of Closing and ending on the earlier of: (a) the date on which the Flow-Through Funds have been fully expended in accordance with the terms hereof; and (b) December 31, 2013;

“**Flow-Through Funds**” means an amount equal to the aggregate gross proceeds of $● per Flow-Through Share received by the Corporation from subscribers of Flow-Through Shares;

“**Flow-Through Shares**” means the Common Shares, issued on a “flow-through basis” pursuant to the Tax Act, offered hereby;

“**Maximum Offering**” means the Offering whereby a combination of Flow-Through Shares and Units are sold raising gross proceeds of $●, subject to a minimum of ● Units being sold, as described herein or in any amendment hereto;

“**Minimum Offering**” means the Offering whereby a combination of Flow-Through Shares and Units are sold raising gross proceeds of $●, subject to a minimum of ● Units being sold, as described herein or in any amendment hereto;

“**Named Executive Officer**” means each of the following individuals:

(a) a chief executive officer (“**CEO**”) of the Corporation;
(b) a chief financial officer (“**CFO**”) of the Corporation;
(c) each of the Corporation’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and
(d) each individual who would be an Named Executive Officer under paragraph (c) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year;

“**Offering**” means the public offering of the Units and Flow-Through Shares, as described herein or in any amendment hereto;

“**Olympia**” means Olympia Transfer Services Inc., the registrar and transfer agent for the Common Shares;

“**Over-Allotment Option**” means the option granted by the Corporation to the Agent, exercisable for a period of 30 days from Closing of the Maximum Offering, to purchase an aggregate of up to an additional 15% of the Flow-Through Shares or Units or a combination thereof, at a price of $● per Flow-Through Share or $● per Unit, to cover over-allotments, if any;

“President’s List” means a list prepared by the Corporation containing the names, addresses and account numbers, if applicable, of directors, officers, employees and parties related to the directors and officers of the Corporation who will purchase Flow-Through Shares or Units, or a combination thereof, under this Offering;

“**Qualifying Expenditures**” means those expenditures classified for tax purposes as expenses of the type described in the definition of “**Canadian exploration expense**” (“**CEE**”) in subsection 66.1(6) of the Tax Act and when renounced under subsection 66(12.66) of the Tax Act, means Canadian exploration expense described in paragraph (a) or (d) of that definition or that would be described in paragraph (h) of that

definition if the words “paragraphs (a) to (d) and (f) to (g.1),” were read as “paragraphs (a) and (d)”, in all cases excluding amounts which are prescribed to constitute “Canadian exploration and development overhead expense” under the Tax Act, any amount of assistance described in paragraph 66(12.6)(a) of the Tax Act and any specified expenses described in paragraph 66(12.6)(b.1) of the Tax Act;

“**Tax Act**” means the *Income Tax Act* (Canada), R.S.C. 1985, c.1 (5th Supp.) and the regulations thereunder, as amended;

“**TSX Venture Exchange**” means the TSX Venture Exchange Inc.;

“**Units**” means the equity units offered hereby, each Unit consisting of one Common Share, and one-half of one Warrant;

“**Warrant**” means the common share purchase warrants of the Corporation issuable pursuant to the Offering and comprising a portion of a Unit, each whole Warrant entitling the holder to acquire one Common Share at $● per share expiring 18 months from the date of issuance;

“**Warrant Indenture**” means the warrant indenture to be entered into between the Corporation and Olympia governing the terms of the Warrants as more particularly described under “*Description of Securities Distributed Pursuant to the Offering - Warrants*”.

CONVENTIONS

Certain terms used herein are defined in the “Glossary”. Unless otherwise indicated, references herein to “$” or “dollars” are to Canadian dollars. All financial information with respect to the Corporation has been presented in Canadian dollars in accordance with generally accepted accounting principles in Canada.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	MMcf	million cubic feet
Mbbl	thousands of barrels	Bcf	billion cubic feet
boe	barrels of oil equivalent of natural gas and crude oil, unless otherwise indicated	Mcf/d	thousand cubic feet per day
boepd	barrels of oil equivalent per day	MMcf/d	million cubic feet per day
Mboe	thousand boe	GJ	gigajoule
NGL	natural gas liquids		
MMBtu	million British thermal units		

CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Thousand cubic metres (“10^3m^3”)	0.0282
Thousand cubic metres	Mcf	35.494

To Convert From	To	Multiply By
bbl	Cubic metres ("m^3")	0.159
Cubic metres	bbl	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

THE CORPORATION

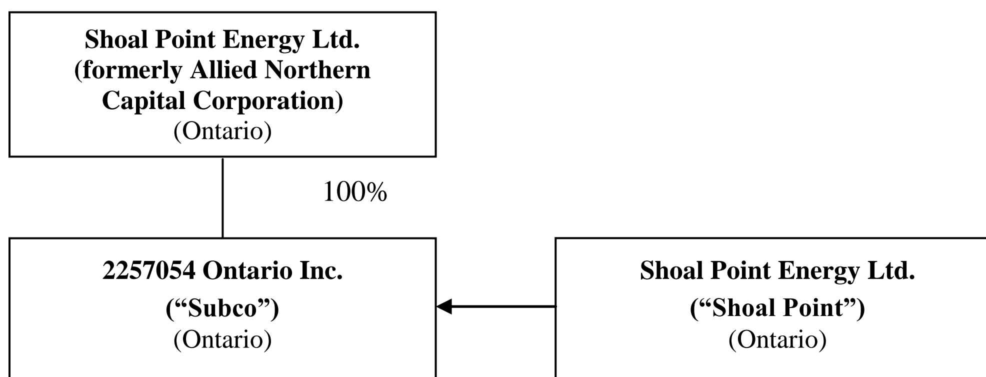
Name, Address and Incorporation

The Corporation was incorporated on February 28, 1988 under the *Business Corporations Act* (Ontario), as Allied Northern Resources Ltd. By Articles of Amendment dated January 8, 2009, the Corporation changed its name to Allied Northern Capital Corporation and on November 9, 2010, the Corporation changed its name to Shoal Point Energy Ltd. The Corporation was incorporated for the purpose of the acquisition, exploration and development of oil and natural gas properties in Canada. The Corporation is a reporting issuer in Ontario.

The head and registered office of the Corporation is 65 Queen St. West, Suite 501, Toronto, Ontario, M5H 2M5.

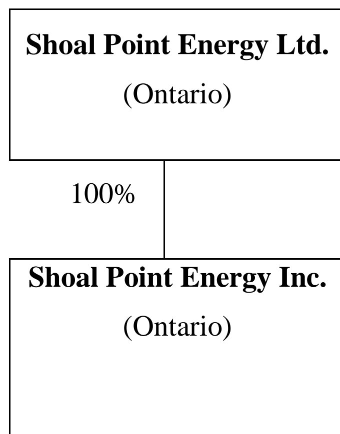
Intercorporate Relationships

Pursuant to an amalgamation agreement (the "**Amalgamation Agreement**") dated September 22, 2010, between the Corporation (formerly "Allied Northern Capital Corporation"), 2257054 Ontario Inc., a wholly-owned subsidiary of the Corporation ("**Subco**"), and Shoal Point Energy Ltd. ("**Shoal Point**"), the parties agreed to complete a three-cornered amalgamation (the "**Amalgamation**"). Pursuant to the Amalgamation Agreement, the Corporation acquired Shoal Point through the amalgamation of Subco and Shoal Point. Subco and Shoal Point amalgamated to form a new corporation, Shoal Point Energy Inc. ("**SPEI**"), which is a wholly-owned subsidiary of the Corporation. The diagram below illustrates the Amalgamation.



Following the Amalgamation, the Corporation has one wholly-owned subsidiary, SPEI, a corporation incorporated under the laws of Ontario.

The chart that follows sets forth the Corporation's corporate structure including all active subsidiaries and their respective jurisdictions of incorporation as at the date hereof:



GENERAL DEVELOPMENT OF THE BUSINESS

Description of the Business

The Corporation, through its wholly owned subsidiary Shoal Point Energy Inc., is currently engaged in oil and gas exploration, development, production, and acquisitions in Canada, specifically in Atlantic Canada.

The Corporation's principal product is oil and gas. The Corporation does not currently have any production. There is a global market into which any oil and gas produced could be sold and, as a result, the Corporation will not be dependent on a particular purchaser with regard to the sale of any oil and gas produced.

Three Year History

Prior to the Amalgamation (Allied Northern Capital Corporation)

As of December 29, 2008, Shoal Point had two reportable segments: oil and gas production, and investments in marketable securities. As of around the same time, Shoal Point discontinued operations in those segments. On January 9, 2009, Shoal Point changed its name from Allied Northern Resources Ltd. to Allied Northern Capital Corporation, and was planning to enter the auto leasing business.

On December 29, 2008, Shoal Point sold all its oil and gas interests to 7099193 Canada Inc., a company indirectly owned by a former Director and the former CEO and President of the Corporation, in exchange for gross proceeds of $164,200. Shoal Point's investment in Western Troy Capital Resources Inc., was also sold at the fair market value of $33,000 on December 29, 2008. Further, 1,842,501 common shares were redeemed from Mourin Investment Corp., and cancelled, for a total cost of $681,725. As a part of this restructuring, all outstanding warrants were cancelled.

On April 30, 2009, Shoal Point acquired Auto Repair Canada Corporation ("**ARC**") by paying $250,000 cash and issuing 666,667 common shares to Evans Ford Lincoln, for 100% interest of ARC, a company engaged in the auto repair loan business. This was a related party transaction.

Prior to the Amalgamation (Shoal Point Energy Ltd.)

On September 30, 2009, the Company filed a notice to make a proposal for the benefit of its creditors under the *Bankruptcy and Insolvency Act* (Canada) (the "**Proposal**"), for which proposal more than 90% of the creditors of the company voted in favour. On November 24, 2009, Shoal Point received approval from the Bankruptcy Division of the Court of Queen's Bench of Alberta, in the matter of the Proposal under Part III, Division I of the Bankruptcy and Insolvency Act. Of the $6,253,762 proven claim, $2,645,074 was settled through the issuance of a debenture and $3,608,687 was settled through the issuance of common shares. 18,043,437 Common Shares were issued as a result of this debt settlement at $0.20 per share.

Shoal Point entered into a letter Agreement with Canadian Imperial Venture Corp. ("**CIVC**") and McLaren Resources Inc., dated December 4, 2009, as amended on February 10, 2010 and March 15, 2010.

On December 8, 2009, Shoal Point issued 623,100 units totaling $137,082, where each unit includes a Common Share and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional Common Share at a price of $0.25 for two years. Shoal Point paid finders' fees of $8,224 and also issued 53,550 broker warrants, with each broker warrant being exercisable at $0.22 per Common Share for two years.

On December 31, 2009, Shoal Point issued 200,000 flow-through Common Shares at $0.27 per share for gross proceeds of $54,000. The Corporation paid finders' fees of $3,240 and also issued 16,500 broker warrants, with each broker warrant being exercisable at $0.27 per Common Share for two years.

On June 21, 2010, Shoal Point entered into a joint operating agreement with CIVC with respect to exploration license #1070 ("**EL#1070**").

On August 11, 2010, Shoal Point entered into an agreement with CIVC and Dragon Lance Management Company ("**DLMC**") to finance the drilling of well 3K-39 which commenced after the year end. Under the terms of the agreement, Shoal Point committed to funding 38.50% of the $1 MM well abandonment deposit in the event that the well was not abandoned within the first 60 days of obtaining the Significant Discovery License ("**SDL**"); funding 38.50% of the cost of the SDL in excess of $1 MM; and funding 38.50 excess of $4.5 MM.

Following the Amalgamation

On November 9, 2010, the Corporation issued 27,932,881 units totaling $6,145,234, where each unit includes a Common Share and a 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 Corporation paid finders' fees of $465,304 and also issued 1,798,247 broker warrants, with each broker warrant being exercisable at $0.22 per Common Share for two years.

On November 9, 2010, the Corporation 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 Corporation. Each warrant entitles the holder to purchase one Common Share of the Corporation at an exercise price of $0.28 for two years expiring on November 9, 2012.

On December 9, 2010, the Corporation signed an amending letter agreement to the farm-out agreement covering license area EL#1070, dated August 11, 2010, with CIVC, DLMC, and Fire Horse Energy Ltd

("**Fire Horse**"). The amending letter agreement initially acknowledged that DLMC has assigned its rights and obligations under the original farm-out agreement to Fire Horse. It further acknowledges that the Corporation's interest in EL#1070 to be set at 51.5% after the completion of the next well (3K-39), which is to be spudded prior to the end of the year. Originally, the Corporation's interest was to be reduced from 61.5% to 30.75% and the entire cost of well 3K- 39 was to be borne by DLMC or its assignee Fire Horse. Under the terms of the amended agreement, the Corporation's interest was reduced by only 10% to 51.5% and in consideration for retaining this increased interest in EL#1070, the Corporation agreed to pay 41.5% of the drilling costs of the well (estimated to be $1,867,500 or 41.5% of $4,500,000), to make the refundable abandonment deposit (estimated not to exceed $1,000,000), and to pay 50% of the costs of filing reports and making the application for a SDL on EL#1070. The balance of the costs associated with drilling of the 3K-39 well and obtaining the SDL was to be paid for by Fire Horse.

On December 17, 2010, the Corporation signed a final agreement with DLMC, Fire Horse and CIVC. Under the terms of this final agreement, the Corporation's final percentage interest in the 3K-39 well was increased to 80.75%, with CIVC at 19.25%. The Corporation assumed responsibility for all budgeted costs of the well and also agreed to be responsible for the abandonment deposit and other costs related to filing for a SDL. A summary of interests in the EL#1070 Shallow Rights after the well has been drilled is as follows:

Corporation	CIVC	DLMC
80.75%	19.25%	–

In 2010/2011, the Corporation settled an aggregate of $694,000 of trades payables by issuing 3,154,545 units of the Corporation. 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.

On February 22, 2011, the Corporation granted to officers, directors and consultants of the Corporation 1,200,000 options at a price of $0.40 for a term of five years. On April 20, 2011, the Corporation granted to consultants of the Corporation 350,000 options at an exercise price of $0.50 for a term of three years.

In February 2011, the Corporation closed the last of three tranches of financing totaling $5,992,925 comprised of 13,594,070 units at $0.35 per unit, where each unit includes a Common Share and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional Common Share at a price of $0.50 for 18 months. The balance of this financing consisted of 3,087,502 flow-through units at $0.40 per unit, where each unit is comprised of a flow-through Common Share at $0.40 and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional Common Share at $0.55 for 18 months. In connection with the financing the Corporation paid cash fees of $149,247 to registered agents and issued 393,634 broker warrants. Each broker warrant entitles the holder to acquire an additional Common Share at a price of $0.35 for a period of 18 months.

On April 13, 2011, the Corporation concluded a farm-in agreement (the "**Farm-In Agreement**") with Ptarmigan Energy Inc. ("**PEI**") of St. John's, Newfoundland and Labrador, with respect to Exploration License #1120 ("**EL#1120**"), western Newfoundland, as originally announced in a letter of intent on February 10, 2011. Under the terms of the Farm-in Agreement, the Corporation will have the right to earn into the "Shallow Rights" within a certain area of EL#1120 ("**Farm-out 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 the Corporation has completed the earning requirements by making the aforementioned payments, and by drilling the test well, the Corporation will earn a 80% working interest in the "Shallow Rights" within the "Farmout Lands", with PEI retaining a 20% working interest therein.

"Shallow Rights", for the purpose of this agreement, are defined as all strata lying stratigraphically and structurally above the Ordovician carbonate platform, and include the Green Point Formation and other organic-rich rocks lying within the Cow Head Group, and equivalents, within the Humber Arm Allochthon.

"Farm-out Lands" encompasses an area of approximately 67,285 acres (27,230 hectares) which forms a 7 kilometre wide band along the coastline defining the eastern border of EL#1120.

In May 2011, the Corporation raised $3,758,651 through the issuance of 6,663,668 units at $0.45 whereby each unit included one Common Share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional Common Share at a price of $0.60 for an 18 month period. In addition, 1,520,000 flow-through units were issued at a price of $0.50 where each flow through unit was comprised of one Common Share and a one half common share purchase warrant, where a full warrant entitles the holder to purchase one additional Common Share at a price of $0.60 for an 18-month period. In connection with this financing, the Corporation paid cash fees to registered agents totaling $199,544, and in addition, issued 422,820 broker warrants.

In May 2011 the Corporation borrowed $2,200,000 from an arm's-length lender. These funds have been used as security in connection with logging of the 3K-39 well. In connection with this transaction, the Corporation issued a $2,200,000 million secured promissory note to the lender and granted the lender a security interest over its assets. The lender received 1,000,000 common share purchase warrants of the Corporation, where each warrant entitles the holder to acquire a Common Share in the Corporation for a period of two years from the date of issuance at an exercise price of $0.50. With the completion of the private placement financings, the Corporation fully repaid the loan, and the promissory note and security interest have been cancelled.

Pursuant to the terms of the AMI agreement with CIVC (the "**AMI Agreement**"), CIVC has advised the Corporation that it has elected to participate to the maximum amount of 40% of the 80% earned interest that the Corporation will acquire. Therefore, with full participation, the working interest ownership in "Shallow Rights" after the drilling of the test well on the Farm-out Lands will be the Corporation 48%, CIVC 32%, and PEI 20%. The total area of Green Point shale rights held by the Corporation/CIVC partnership is now approximately 217,285 acres, including some 60 km of continuous strike length along the coast between the south shore of Port au Port Bay and the Bay of Islands. Initial operations on EL#1120 will benefit from access to the coast via the community of Littleport, where it is anticipated the test well will be located.

From June to July 2011, the Corporation completed private placements of 1,785,000 units and 4,285,000 flow-through units for aggregate proceeds of $2,032,250. Each unit consists of one Common Share and a one-half common share purchase warrant, and each flow-through unit consists of one Common Share to be purchased on a flow-through basis and a one-half common share purchase warrant. Each warrant entitles the holder thereof to acquire one Common Share at a price of $0.40 per Common Share for a period of 18 months from the date of issuance. The Corporation paid cash commissions of $122,115 and issued 364,200 broker warrants.

In August 2011, the Corporation 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 and a one-half common share purchase warrant, where each flow-through unit consists of one Common Share to be purchased on a flow-through basis and a one-half common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one Common Share at a price of $0.40 per Common Share for a period of 18

months from the date of issuance. The Corporation paid cash commission of $2,775 and issued 21,000 broker warrants.

In October 2011 the Corporation increased its interest in 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 EL#1120 pursuant to the Farm-In Agreement with PEI, which was announced in a press release dated April 13, 2011. Prior to this purchase, the Corporation was only earning up to a 48% interest in EL#1120. In addition, the Corporation has acquired CIVC's interest in the AMI Agreement which governed numerous exploration lands in Western Newfoundland (the "**Acquisition**").

As consideration for the Acquisition, the Corporation issued to CIVC 20,000,000 units, with each unit consisting of one Common Share in the capital of the Corporation and a one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one Common Share at a price of $0.40 for a period of 2 years. The Corporation also paid CIVC $300,000 on closing and issued 1,000,000 purchase warrants following closing of the Acquisition. In connection with the Acquisition, the Corporation has also canceled $2,600,000 owed by CIVC to the Corporation in respect of exploration costs related to Well 3K-39. CIVC also has the right to nominate one person to the board of directors of the Corporation.

In October 2011, the Corporation 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 Corporation and a one-half common share purchase warrant, and each flow-through unit consists of one common share to be purchased on a flow-through basis and a one-half common share purchase warrant. Each whole 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 Corporation paid cash commission of $117,980 and issued 687,278 broker warrants.

In November 2011, the Corporation 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 Corporation and a one-half common share purchase warrant, and each flow-through unit consists of one Common Share to be purchased on a flow-through basis and a one-half common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one Common Share at a price of $0.30 for a period of 18 months from the date of issuance. The Corporation paid cash commission of $42,973 and issued 690,660 broker warrants.

In December 2011, the Corporation 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 Corporation and a one-half common share purchase warrant, and each flow-through unit consists of one Common Share to be purchased on a flow-through basis and a one-half common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one Common Share at a price of $0.30 for a period of 18 months from the date of issuance. The Corporation paid cash commission of $147,689 and issued 557,895 broker warrants.

In December 2011 Nebu Resources Inc. ("**Nebu**") acquired a 1% interest in EL#1070 from the Corporation by satisfying its commitment to spend $500,000 in exploration on EL#1070.

In January 2012, the Corporation issued 1,000,000 Common Shares and 1,000,000 common share purchase warrants to NWest Oil and Gas Inc. ("**NWest**") as partial consideration to close its acquisition of the first 50% interest in Exploration License #1097R ("**EL#1097R**"). Each warrant issued entitles the

holder to acquire one Common Share of the Corporation for a price of $0.40 per a Common 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 (the "**First Transfer**"). 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 consideration for the Second Transfer was for the issuance to NWest of 1,000,000 Common Shares of the Corporation and 1,000,000 common share purchase warrants, where each warrant entitles the holder to acquire one Common Share of the Corporation 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 Corporation spuds a well on the property, the Corporation 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 Corporation having the right to purchase 0.75% of the royalty for $2,000,000 at any time.

In January 2012, the Corporation issued 500,000 Common Shares to Nebu as partial consideration to reacquire the 1% interest in EL#1070 that Nebu acquired in December 2011. Total share consideration for the reacquisition amounted to $125,000.

Subsequent to year end the Corporation received a Resource Evaluation from AJM Deloitte of Calgary for EL#1070, EL#1120, and EL#1097R, offshore western Newfoundland. The report is dated May 1, 2012 with an effective date of March 31, 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.

In February 2012, the Corporation completed two financings to raise a total of $7,000,000. The first financing was for $1,000,000 for which the Corporation 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 common share purchase warrant where a full warrant entitles the holder to acquire one additional Common Share at a price of $0.30 for 18 months. In connection with this financing, the Corporation paid cash commissions of $60,000 and issued 222,222 broker warrants. 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 common share purchase 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 common share purchase 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, the Corporation paid cash commissions of $357,003 and issued 1,081,444 broker warrants.

In February 2012, the Corporation also made the final payment of $200,000 to CIVC which was required to be made on or before April 25, 2012, as part of the Corporation's acquisition of CIVC's interest in the Green Point oil-in-shale. On March 21, 2012 the shareholders of NWest approved the second transfer of the 50% interest in EL1097R to the Corporation. In consideration for this transfer, the Corporation 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 Corporation granted 2,550,000 stock options with an exercise price of $0.40 per a Common Share to consultants of the Corporation; 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.

In May 2012, the Corporation completed two financings to raise a total of $1,114,000. The first financing included the issuance of 7,242,860 units at $0.14 per unit, where each unit was comprised of one Common Share and a one-half common share purchase warrant where a full warrant entitles the holder to acquire one additional Common Share at a price of $0.20 for a period of 18 months from the date of issuance. The balance of this financing consisted of the issuance of 625,000 flow-through units at $0.16 per a flow-through unit, where each flow-through unit was comprised of one flow-through Common Share and a one-half common share purchase warrant where a full warrant entitles the holder to acquire one additional Common Share at a price of $0.20 for a period of 18 months from the date of issuance. The second financing consisted of the issuance of 100,000 flow-through units at $0.14 per a flow-through unit, where each flow-through unit was comprised of one flow-through Common Share and a one-half common share purchase warrant where a full warrant entitles the holder to acquire one additional Common Share at a price of $0.20 for a period of 18 months from the date of issuance. In connection with these financings, the Corporation paid cash commissions of $99,999 and issued 466,072 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.14 for a period of 18 months from the date of issuance.

Resource Properties

Green Point Project

The Corporation holds a 100% interest in and to EL#1070, located in the Port au Port area of southwestern Newfoundland (the "**Green Point Project**"). The principal prospect on the license is the oil bearing shales of the Green Point Formation, estimated to be approximately 137,000 acres, located in Port au Port Bay to the north of the Port au Port peninsula. The Corporation is operator on the Green Point Project.

Ptarmigan Project

In April 2011, the Corporation announced completion of the Farm-In Agreement, with respect to EL#1120, in western Newfoundland. Under the terms of the Farm-In Agreement, the Corporation will have the right to earn into the shallow rights within a certain area of EL#1120 (farm-out 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 Dec. 31, 2012. Once the Corporation has completed the earning requirements by making the aforementioned payments, and by drilling the test well, the Corporation will earn an 80% working interest in the shallow rights within the farm-out lands, with PEI retaining a 20% working interest therein.

NWest

The Corporation and NWest entered into an agreement whereby the Corporation will acquire a 100% working interest in all rights in EL#1097R, comprising approximately 500,000 acres in the immediate offshore area of west Newfoundland. This license is contiguous with EL#1120 and EL#1070. Payment is to be made to NWest as follows:

- Annual refundable drilling deposits of $1,000,000 (to the regulatory body) - fulfilled;
- 2,000,000 Common Shares and 2,000,000 warrants to acquire the 100% working interest – fulfilled; and

- An additional payment at the time of spudding a well of 4,000,000 Common Shares and 4,000,000 warrants, and the grant of a 2% gross overriding royalty (0.75% of which can be repurchased by the Corporation)

A well must be spudded on the property by January 15, 2013, with an extension given to January 15, 2014 if a further $1,000,000 property deposit is made to the Canada-Newfoundland and Labrador Petroleum Board. The license covers the extent of the Green Point shale in the northern half of the western Newfoundland offshore area. It is expected that much of this license area can be exploited from land.

South Stoney Creek Project

The Corporation holds a 14% interest in both the shallow and deep rights of the South Stoney Creek prospect, which is approximately 40,000 acres in New Brunswick on trend with the recent discoveries at McCully and in the Frederick Brook formation. The Corporation has the option to increase its 14% interest to 20%. The South Stoney Creek project area is located in the eastern part of the Moncton Subbasin, approximately 15 km south of the city of Moncton, New Brunswick, Canada.

OIL AND GAS RESERVES

The oil and gas reserves and operational information of the Corporation contained in this Prospectus contains the information required to be included in the Form 51-101F1 – Statement of Reserves Data and Other Oil and Gas Information pursuant to NI 51-101 adopted by the Canadian securities regulatory authorities. The effective date for the Form 51-101F1 – Statement of Reserves Data and Other Oil and Gas Information contained in this Prospectus and titled: Resource Study West Coast Newfoundland Exploration Licenses 1070, 1120, and 1097R (the "**Technical Report**") is March 31, 2012. Portions of the following information are based on assumptions, qualifications and procedures which are set out only in the full Technical Report. For a complete description of the assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the Technical Report which is available for review on the SEDAR located at www.sedar.com. Alternatively, the Technical Report may be inspected during normal business hours at the offices of the Corporation.

The information on the material properties of the Corporation in this section is derived from the Technical Report. The authors of the Technical Report, Robin G. Bertram, P. Eng. and L.D. Boyd, P. Geol., of Deloitte & Touche LLP, are independent Qualified Persons for the purposes of NI 51-101. The description of the properties below, are not exhaustive and is qualified and incorporated in its entirety by reference to the Technical Report.

EVALUATION

Procedure

Deloitte & Touche LLP ("**AJM Deloitte**") has prepared estimates of resources and reserves in accordance with the process published in The Canadian Oil and Gas Evaluation Handbook (COGEH), Volume 1, 2nd Edition. The reader is referred to the Handbook for a complete description of the particular process quoted as follows.

Resources or reserves evaluation

A “Resources or Reserves Evaluation” is the process whereby a qualified reserves evaluator estimates the quantities and values of oil and gas resources or reserves by interpreting and assessing all available pertinent data. The value of an oil and gas asset is a function of the ability or potential ability of that asset to generate future net revenue, and it is measured using a set of forward-looking assumptions regarding resources or reserves, production, prices, and costs. Evaluations of oil and gas assets, in particular reserves, include a discounted cash flow analysis of estimated future net revenue.

Reserves audit

A “Reserves Audit” is the process carried out by a qualified reserves auditor that results in a reasonable assurance, in the form of an opinion, that the reserves information has in all material respects been determined and presented according to the principles and definitions adopted by the Society of Petroleum Evaluation Engineers (“SPEE”) (Calgary Chapter), and Association of Professional Engineers and Geoscientists of Alberta (“APEGA”) and are, therefore free of material mis-statement.

The reserves evaluations prepared by the Corporation have been audited, not for the purpose of verifying exactness, but the reserves information, company policies, procedures, and methods used in estimating the reserves will be examined in sufficient detail so that AJM Deloitte can express an opinion as to whether, in the aggregate, the reserves information presented by the Corporation are reasonable.

AJM Deloitte may require its own independent evaluation of the reserves information for a small number of properties, or for a large number of properties as tests for the reasonableness of the Corporation’s evaluations. The tests to be applied to the Corporation’s evaluations insofar as their methods and controls and the properties selected to be re-evaluated will be determined by AJM Deloitte, in its sole judgment, to arrive at an opinion as to the reasonableness of the Corporation’s evaluations.

Reserves review

A “Reserves Review” is the process whereby a reserves auditor conducts a high-level assessment of reserves information to determine if it is plausible. The steps consist primarily of enquiry, analytical procedure, analysis, review of historical reserves performance, and discussion with the Corporation’s reserves management staff.

“Plausible” means the reserves data appear to be worthy of belief based on the information obtained by the independent qualified reserves auditor in carrying out the aforementioned steps. Negative assurance can be given by the independent reserves auditor, but an opinion cannot. For example, “Nothing came to my attention that would indicate the reserves information has not been prepared and presented in accordance with principles and definitions adopted by the SPEE (Calgary Chapter), and APEGA (Practice Standard for the Evaluation of Oil and Gas Reserves for Public Disclosure).

Reviews do not require examination of the detailed document that supports the reserves information, unless this information does not appear to be plausible.

Resource and reserve definitions

The term “resources” encompasses all petroleum quantities that originally existed on or within the earth’s crust in naturally occurring accumulations, including Discovered and Undiscovered (recoverable and unrecoverable) plus quantities already produced. Accordingly, total resources are equivalent to Total Petroleum Initially-In-Place (“PIIP”).

Total Petroleum Initially-In-Place ("PIIP") is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

Discovered Petroleum Initially-In-Place (equivalent to discovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of Discovered Petroleum Initially-In-Place includes Production, Reserves, and Contingent Resources; the remainder is unrecoverable.

Production is the cumulative quantity of petroleum that has been recovered at a given date.

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on development and production status. Refer to the full definitions on Reserves in Section 5.4 of COGEH.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status. Refer to COGEH.

Unrecoverable is that portion of Discovered and Undiscovered PIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

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.

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. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Reserves, Contingent Resources, and Prospective Resources should not be combined without recognition of the significant differences in criteria associated with their classification. For example, the sum of Reserves, Contingent Resources, and Prospective Resources may be referred to as Remaining Recoverable Resources. When resources categories are combined, it is important that each component of the summation also be provided, and it should be made clear whether and how the components in the summation were adjusted for risk.

Uncertainty ranges

The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Resources should be provided as low, best, and high estimates as follows:

Low Estimate: This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P_{90}) that the quantities actually recovered will equal or exceed the low estimate.

Best Estimate: This is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P_{50}) that the quantities actually recovered will equal or exceed the best estimate.

High Estimate: This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P_{10}) that the quantities actually recovered will equal or exceed the high estimate.

This approach to describing uncertainty may be applied to reserves, contingent resources, and prospective resources. There may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production. However, it is useful to consider and identify the range of potentially recoverable quantities independently of such risk.

Assessing commerciality

In order to assign recoverable resources of any category, a development plan consisting of one or more projects needs to be defined. In-place quantities for which a feasible project cannot be defined using established technology or technology under development are classified as unrecoverable. In this context "technology under development" refers to technology that has been developed and verified by testing as feasible for future commercial applications to the subject reservoir. In the early stage of exploration or development, project definition will not be of the detail expected in later stages of maturity. In most cases recovery efficiency will be largely based on analogous projects.

Estimates of recoverable quantities are stated in terms of the sales products derived from a development program, assuming commercial development. It must be recognized that reserves, contingent resources, and prospective resources involve different risks associated with achieving commerciality. The likelihood that a project will achieve commerciality is referred to as the "chance of commerciality". The chance of commerciality varies in different categories of recoverable resources as follows:

- **Reserves**: To be classified as reserves, estimated recoverable quantities must be associated with a project(s) that has demonstrated commercial viability. Under the fiscal conditions applied in the estimation of reserves, the chance of commerciality is effectively 100 percent.
- **Contingent Resources:** Not all technically feasible development plans will be **commercial**. The commercial viability of a development project is dependent on the forecast of fiscal conditions over the life of the project. For contingent resources the risk component relating to the likelihood that an accumulation will be commercially developed is referred to as the "chance of development". For contingent resources the chance of commerciality is equal to the chance of development.

- **Prospective Resources:** Not all exploration projects will result in discoveries. The chance that an exploration project will result in the discovery of petroleum is referred to as the "chance of discovery". Thus, for an undiscovered accumulation the chance of commerciality is the product of two risk components – the chance of discovery and the chance of development.

Economic status

By definition, reserves are commercially (and hence economically) recoverable. A portion of contingent resources may also be associated with projects that are economically viable but have not yet satisfied all requirements of commerciality. Accordingly, it may be a desirable option to sub-classify contingent resources by economic status.

Economic Contingent Resources are those contingent resources that are currently economically recoverable.

Sub-Economic Contingent Resources are those contingent resources that are not currently economically recoverable.

Where evaluations are incomplete such that it is premature to identify the economic viability of a project, it is acceptable to note that project economic status is "undetermined" (i.e., "contingent resources – economic status undetermined").

In examining economic viability, the same fiscal conditions should be applied as in the estimation of reserves, i.e. specified economic conditions, which are generally accepted as being reasonable (refer to COGEH Volume 2, Section 5.8).

Reserve categories

Reserves are classified by AJM Deloitte in accordance with the following definitions published by COGEH and which meet the standards established by National Instrument 51-101-Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on:

- analysis of drilling, geological, geophysical, and engineering data;
- the use of established technology; and
- specified economic conditions, which are generally accepted as being reasonable and shall be disclosed.

Reserves are classified according to the degree of certainty associated with the estimates:

- **Proved Reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- **Probable Reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

- **Possible Reserves** are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Development and production status

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories:

- **Developed Reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
- **Developed Producing Reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing, or if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
- **Developed Non-Producing Reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- **Undeveloped Reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities, and completion intervals in the pool and their respective development and production status.

Levels of certainty for reported reserves

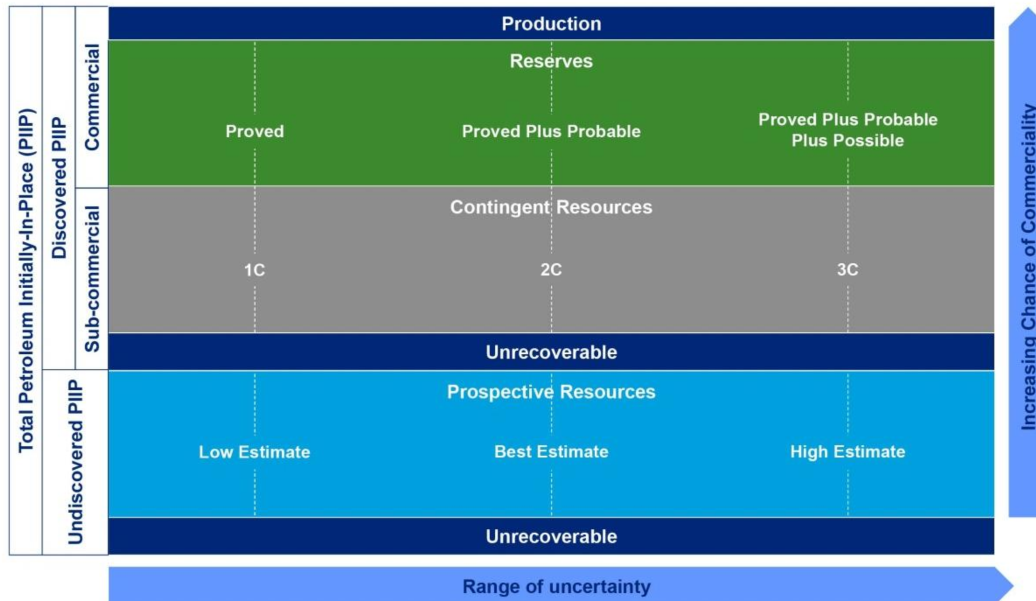
The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest – level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Resource and reserve estimation

AJM Deloitte generally assigns reserves to properties via deterministic methods. Probabilistic estimation techniques are typically used where there is a low degree of certainty in the information available and is generally used in resource evaluations. This will be stated within the detailed property reports.



Deterministic

Reserves and resources were estimated either by i) volumetric, ii) decline curve analysis, iii) material balance techniques, or iv) performance predictions.

Volumetric reserves were estimated using the wellbore net pay and an assigned drainage area or, where sufficient data was available, the reservoir volumes calculated from isopach maps. Reservoir rock and fluid data were obtained from available core analysis, well logs, PVT data, gas analysis, government sources, and other published information either on the evaluated pool or from a similar reservoir in the immediate area. In mature (producing) reservoirs decline curve analysis and/or material balance was utilized in all applicable evaluations.

Statistical analysis

Whenever there is the need within an evaluation to assign reserves based on analogy or when volumetric reserves are being assigned, AJM Deloitte utilizes a variety of different tools in support of. When evaluating Western Canadian prospects, typically AJM Deloitte uses petroCUBE™.

The petroCUBE program is a web-based (www.petroCUBE.com) product co-developed by AJM Deloitte and geoLOGIC Systems Inc. petroCUBE provides geostatistical, technical, and financial information for conventional hydrocarbon plays throughout the Western Canadian Sedimentary Basin ("WCSB").

The information provided by petroCUBE is an unbiased independent perspective into the historical performance of the conventional hydrocarbon activity in the WCSB. The statistical information is presented by commodity type (gas, oil) with each commodity further analyzed by geographic area and play type.

Analysis output includes cumulative frequency resource distribution curves, chance of success tables, production performance profiles for each play type and area, unrisked and risked resources, and initial production rates on a per well zone basis, and full cycle economic and play parameters.

Cumulative frequency curves show how the volumes for a play are distributed. These calculations include the average volumes for a play (P_{50}), volumes for the best 10 percent of the wells (P_{10}), the minimum volumes developed by 90 percent of the wells (P_{90}).

Reserves assigned are compared to those volumes noted in the cumulative frequency curves for the corresponding area and play type. Typically an expected or proved plus probable reserve is a P_{50} volume.

Probabilistic

Because of the uncertainty inherent in reservoir parameters, probabilistic analysis, which is based on statistical techniques, provides a formulated approach by which to obtain a reasonable assessment of the petroleum initially in place (PIIP) and/or the recoverable resource. Probabilistic analysis involves generating a range of possible outcomes for each unknown parameter and their associated probability of occurrence. When probabilistic analysis is applied to resource estimation, it provides a range of possible PIIPs or recoverable resources.

In preparing a resource estimate, AJM Deloitte assesses the following volumetric parameters: areal extent, net pay thickness, porosity, hydrocarbon saturation, reservoir temperature, reservoir pressure, gas compressibility factor, recovery factor, and surface loss. A team of professional engineers and geologists experienced in probabilistic resource evaluation considered each of the parameters individually to estimate the most reasonable range of values. Working from existing data, the team discusses and agrees on the low (P_{90}) and high (P_{10}) values for each parameter. To help test the reasonableness of the proposed range, a minimum (P_{99}) and maximum (P_1) value are also extrapolated from the low and high values. After ranges have been established for each parameter, these independent distributions are used to determine a P_{90}, P_{50}, and P_{10} result which comprise AJM Deloitte's estimated range of PIIP or recoverable resource.

It is important to note that the process used to determine the final P_{10}, P_{90}, and P_{50} results involves multiplying the various volumetric parameters together. This yields results which require adjustments to maintain an appropriate probability of occurrence. For example, when calculating total reservoir volume (Area x Pay), the chance of getting a volume greater than the P_{10} Area x P_{10} Pay is less than 10 percent – the chance of getting the calculated result is only 3.5 percent ($p_{3.5}$). As you multiply additional P_{10} values, the probability of achieving the calculated value becomes less likely. Similarly, multiplying P_{90} parameters together will yield a result that has a probability greater than P_{90}. As such, when multiplying independent distributions together the results must be adjusted via interpolation to determine final P_{90} and P_{10} values.

The results appearing in this report represent interpolated P_{90} and P_{10} values. As defined by COGEH (and the Petroleum Resource Management System "PRMS"), the P_{50} estimate is the "best estimate" for reporting purposes.

Production forecasts

Production forecasts were based on historical trends or by comparison with other wells in the immediate area producing from similar reservoirs. Non-producing gas reserves were forecast to come on-stream within the first two years from the effective date under direct sales pricing and deliverability assumptions, if a tie-in point to an existing gathering system was in close proximity (approximately two miles). If the tie-in point was of a greater distance (and dependent on the reserve volume and risk) the reserves were forecast to come on-stream in years three or four from the effective date. If the reserves were located in a remote location and/or the reserve volume was of higher risk, the reserves were forecast to come on-stream beyond five years from the effective date. These on-stream dates were used when the company could not provide specific on-stream date information.

Land schedule and maps

The evaluated Corporation provided schedules of land ownership which included lessor and lessee royalty burdens. The land data was accepted as factual and no investigation of title by AJM Deloitte was made to verify the records.

Well maps included within this report represent all of the Corporation's interests that were evaluated in the specified area.

Geology

An initial review of each property is undertaken to establish the produced maturity of the reservoir being evaluated. Where extensive production history exists a geologic analysis is not conducted since the remaining hydrocarbons can be determined by productivity analysis.

For properties that are not of a mature production nature a geologic review is conducted. This work consists of:

- developing a regional understanding of the play,
- assessing reservoir parameters from the nearest analogous production,
- analysis of all relevant well data including logs, cores, and tests to measure net formation thickness (pay), porosity, and initial water saturation,
- auditing of client mapping or developing maps to meet AJM Deloitte's need to establish volumetric hydrocarbons-in-place.

Procedures specific to the project are discussed in the body of the report.

Royalties and taxes

General

All royalties and taxes, including the lessor and overriding royalties, are based on government regulations, negotiated leases or farmout agreements, that were in effect as of the evaluation effective date. If regulations change, the net after royalty recoverable reserve volumes may differ materially.

AJM Deloitte utilizes a variety of reserves and valuation products in determining the result sets.

Capital and operating considerations

Operating and capital costs were based on current costs escalated to the date the cost was incurred, and are in current year dollars. The economic runs provide the escalated dollar costs as found in the table below.

Reserves estimated to meet the standards of NI 51-101 for constant prices and costs (optimal), are based on unescalated operating and capital costs.

Capital costs were either provided by the Corporation (and reviewed by AJM Deloitte for reasonableness); or determined by AJM Deloitte taking into account well capability, facility requirement, and distance to markets. Facility expenditures for shut-in gas are forecast to occur prior to the well's first production.

Operating costs were determined from historical data on the property as provided by the evaluated Corporation. If this data was not available or incomplete, the costs were based on AJM Deloitte experience and historical database. Operating costs are defined into three types.

The first type, variable ($/Unit), covers the costs directly associated with the product production. Costs for processing, gathering and compression are based on raw gas volumes. Over the life of the project the costs are inflated in escalated runs to reflect the increase in costs over time. In a constant dollar review the costs remain flat over the project life.

The second type, fixed plant or battery ($/year), is again a fixed component over the project life and reflects any gas plant or battery operating costs allocated back to the evaluated group. The plant or battery can also be run as a separate group and subsequently consolidated at the property level.

The third type takes the remaining costs that are not associated with the first two and assigns them to the well based on a fixed and variable component. A split of 65 percent fixed and 35 percent variable assumes efficiencies of operation over time, i.e.: the well operator can reduce the number of monthly visits as the well matures, workovers may be delayed, well maintenance can also be reduced. The basic assumption is that the field operator will continue to find efficiencies to reduce the costs over time to maintain the overall $/Boe cost. Thus as the production drops over time the 35 percent variable cost will account for these efficiencies. If production is flat all the costs will also remain flat. Both the fixed and variable costs in this type are inflated in the escalated case and held constant in the constant dollar review. These costs also include property taxes, lease rentals, government fees, and administrative overhead.

In reserve evaluations conducted for purposes of NI 51-101, or, if an economic analysis was prepared for a resource evaluation, well abandonment and reclamation costs have been included and these costs were either provided by the Corporation (and reviewed by AJM Deloitte for reasonableness) or based on area averages (only the base abandonment costs were utilized and no consideration for groundwater protection, vent flow repair costs, or gas migration costs were considered). If there were multiple events to abandon the costs were increased by a 25 percent factor. Site reclamation costs were based on information provided by the Corporation or based on area averages. For undeveloped reserve estimates for undrilled locations, both abandonment and site reclamation costs are also included for the purpose of determining whether reserves should be attributed to that property in the first year in which the reserves are considered for attribution to the property.

Price and market demand forecasts
Base case forecast effective March 31, 2012

The attached price and market forecasts have been prepared by AJM Deloitte, based on information available from numerous government agencies, industry publications, oil refineries, natural gas marketers, and industry trends.

The prices are AJM Deloitte's best estimate of how the future will look, based on the many uncertainties that exist in both the domestic Canadian and international petroleum industries. Inflation forecasts and exchange rates, an integral part of the forecast, have also been considered.

In preparing the price forecast AJM Deloitte considers the current monthly trends, the actual and trends for the year to date, and the prior year actual in determining the forecast. The base forecast for both oil and gas is based on NYMEX futures in US dollars.

The crude oil and natural gas forecasts are based on yearly variable factors weighted to higher percent in current data and reflecting a higher percent to the prior year historical. These forecasts are AJM Deloitte's interpretation of current available information and while they are considered reasonable, changing market conditions or additional information may require alteration from the indicated effective date.

AJM Deloitte
Canadian Domestic Price Forecast
Base Case Forecast Effective March 31, 2012

					Crude Oil Pricing							Natural Gas Liquids Pricing (Edmonton Par Prices)				Natural Gas Pricing									Sulphur
		Price Inflation Rate	Cost Inflation Rate	CAD to USD Exchange Rate	WTI at Cushing Oklahoma US$/bbl Real	WTI at Cushing Oklahoma US$/bbl Current	Edmonton City Gate C$/bbl Real	Edmonton City Gate C$/bbl Current	Med. Oil 29 Deg. API Cromer, Sk. C$/bbl Current	Bow River 25 Deg. API Hardisty C$/bbl Current	Heavy Oil 12 Deg. API Hardisty C$/bbl Current	Ethane C$/bbl Current	Propane C$/bbl Current	Butane C$/bbl Current	Pentanes + Condensate C$/bbl Current	Alberta Reference Average Price C$/mcf Current	Alberta AECO Average Price C$/mcf Real	Alberta AECO Average Price C$/mcf Current	Alberta System Plant Gate Sales C$/mcf Current	Alberta Direct Plant Gate Sales C$/mcf Current	B.C. Direct Stn. 2 Sales C$/mcf Current	Sask. Direct Plant Gate Sales C$/mcf Current	NYMEX US$/Mcf Real	NYMEX US$/Mcf Current	Alberta Plant Gate C$/lt Current
H	1997	1.6%	1.6%	0.722	$27.04	$20.60	$36.73	$27.98	$23.71	$21.26	$14.35	n/a	$19.41	$19.02	$30.85	$1.87	$2.24	$1.71	$1.78	$1.69	$1.98	$1.74	$3.40	$2.59	$11.50
i	1998	0.7%	0.7%	0.675	$18.58	$14.38	$25.94	$20.08	$16.94	$14.63	$9.43	n/a	$11.97	$12.92	$22.35	$1.94	$2.67	$2.07	$1.90	$1.95	$2.00	$2.13	$2.73	$2.11	($6.51)
s	1999	1.8%	1.8%	0.648	$24.75	$19.29	$35.16	$27.41	$21.72	$20.29	$17.62	$8.09	$13.21	$14.39	$20.94	$2.48	$3.53	$2.75	$2.22	$2.50	$2.64	$2.61	$2.69	$2.10	$6.93
t	2000	2.6%	2.6%	0.674	$38.08	$30.22	$55.88	$44.33	$39.89	$34.46	$28.57	$14.10	$32.59	$36.51	$46.30	$4.51	$7.08	$5.62	$4.84	$5.47	$4.73	$5.05	$5.44	$4.32	$13.59
o	2001	2.5%	2.5%	0.646	$14.28	$25.87	$21.62	$39.17	$31.54	$25.12	$18.07	$17.20	$30.62	$30.49	$43.03	$5.39	$2.99	$5.42	$5.42	$5.26	$6.34	$6.10	$2.17	$3.93	($14.50)
r	2002	2.3%	2.3%	0.637	$31.23	$26.11	$48.24	$40.33	$35.52	$31.89	$27.63	$11.21	$20.92	$27.78	$41.22	$3.88	$5.01	$4.19	$3.85	$4.03	$4.09	$4.08	$4.02	$3.36	$12.74
i	2003	2.8%	2.8%	0.716	$36.26	$31.01	$50.87	$43.51	$37.47	$32.96	$27.35	$18.43	$32.31	$36.03	$45.18	$6.12	$7.81	$6.68	$6.11	$6.51	$6.42	$6.67	$6.40	$5.48	$40.99
c	2004	1.8%	1.8%	0.770	$47.11	$41.45	$60.19	$52.96	$45.76	$38.01	$30.44	$19.04	$35.20	$44.07	$55.49	$6.31	$7.45	$6.55	$6.32	$6.38	$6.52	$6.84	$7.10	$6.25	$40.82
a	2005	2.2%	2.2%	0.826	$63.16	$56.61	$77.35	$69.33	$57.39	$45.68	$33.77	$23.80	$43.23	$51.91	$74.67	$8.31	$9.80	$8.78	$8.56	$8.61	$8.22	$8.51	$9.94	$8.91	$40.99
l	2006	2.0%	2.0%	0.882	$72.05	$66.06	$79.99	$73.34	$62.42	$52.04	$39.68	$19.81	$44.11	$58.16	$78.19	$6.56	$7.13	$6.54	$6.63	$6.35	$6.57	$7.11	$7.36	$6.75	$19.51
	2007	2.1%	2.1%	0.935	$77.36	$72.38	$82.39	$77.09	$65.18	$53.86	$39.75	$18.41	$49.77	$59.40	$81.67	$6.20	$6.88	$6.44	$6.31	$6.22	$6.40	$6.54	$7.45	$6.97	$38.32
	2008	2.4%	2.4%	0.943	$104.15	$99.58	$107.55	$102.83	$93.26	$83.97	$73.17	$22.61	$56.94	$83.56	$109.80	$7.88	$8.53	$8.15	$8.13	$7.92	$8.21	$8.19	$9.28	$8.88	$304.51
	2009	0.3%	0.3%	0.880	$63.08	$61.78	$67.60	$66.21	$62.77	$59.90	$54.49	$11.60	$34.56	$56.29	$69.59	$3.84	$4.04	$3.96	$3.94	$3.74	$4.16	$4.14	$3.99	$3.90	($4.97)
	2010	1.8%	1.8%	0.971	$80.84	$79.42	$79.18	$77.79	$73.48	$68.16	$60.59	$11.52	$45.13	$68.78	$84.00	$3.76	$4.07	$4.00	$4.07	$3.76	$4.00	$3.90	$4.46	$4.38	$57.81
	2011	2.9%	2.9%	1.012	$94.91	$94.91	$95.58	$95.58	$88.21	$78.50	$69.56	$10.30	$52.44	$87.06	$105.31	$3.46	$3.63	$3.63	$3.84	$3.42	$3.34	$3.33	$3.99	$3.99	$79.49
2	3 Mths H	2.4%	2.4%	0.997	$103.00	$103.00	$93.63	$93.63	$88.16	$83.28	$72.33	$7.16	$50.38	$85.91	$106.92	$2.32	$2.16	$2.16	$2.42	$1.97	$2.69	$2.07	$2.47	$2.47	$80.00
0	9 Mths F	0.0%	0.0%	1.000	$100.00	$100.00	$98.00	$98.00	$91.00	$77.00	$71.00	$10.65	$55.00	$85.00	$105.00	$2.05	$2.30	$2.30	$2.00	$2.10	$2.00	$2.25	$2.80	$2.80	$80.00
1																									
2	Avg.	n/a	n/a	0.999	$100.75	$100.75	$96.91	$96.91	$90.29	$78.57	$71.33	$9.78	$53.85	$85.23	$105.48	$2.12	$2.26	$2.26	$2.11	$2.07	$2.17	$2.21	$2.72	$2.72	$80.00
F	2012	0.0%	0.0%	1.000	$100.00	$100.00	$98.00	$98.00	$91.00	$77.00	$71.00	$6.00	$53.90	$83.30	$102.90	$2.05	$2.30	$2.30	$2.00	$2.10	$2.00	$2.25	$2.80	$2.80	$80.00
o	2013	2.0%	2.0%	1.000	$100.00	$102.00	$98.00	$100.00	$92.30	$79.00	$73.00	$8.85	$55.00	$85.00	$105.00	$3.00	$3.20	$3.25	$2.95	$3.05	$2.95	$3.20	$3.50	$3.55	$81.60
r	2014	2.0%	2.0%	1.000	$100.00	$104.05	$98.00	$102.00	$93.00	$80.00	$74.00	$10.65	$56.10	$86.70	$107.10	$3.60	$3.70	$3.85	$3.55	$3.65	$3.55	$3.80	$4.00	$4.15	$83.25
e	2015	2.0%	2.0%	1.000	$100.00	$106.10	$98.00	$104.00	$94.25	$82.00	$76.00	$11.85	$57.20	$88.40	$109.20	$4.00	$4.00	$4.25	$3.95	$4.05	$3.95	$4.20	$4.30	$4.55	$84.90
c	2016	2.0%	2.0%	1.000	$100.00	$108.25	$98.00	$106.10	$95.60	$84.10	$78.10	$13.05	$58.35	$90.20	$111.40	$4.40	$4.30	$4.65	$4.35	$4.45	$4.35	$4.60	$4.60	$5.00	$86.60
a	2017	2.0%	2.0%	1.000	$100.00	$110.40	$98.00	$108.20	$96.95	$86.20	$80.20	$14.40	$59.50	$91.95	$113.60	$4.85	$4.60	$5.10	$4.80	$4.90	$4.80	$5.05	$4.90	$5.40	$88.35
s	2018	2.0%	2.0%	1.000	$100.00	$112.60	$98.00	$110.35	$98.35	$88.35	$82.35	$16.05	$60.70	$93.80	$115.85	$5.40	$5.00	$5.65	$5.35	$5.45	$5.35	$5.60	$5.30	$5.95	$90.10
t	2019	2.0%	2.0%	1.000	$100.00	$114.85	$98.00	$112.55	$99.05	$90.55	$84.55	$17.40	$61.90	$95.65	$118.20	$5.85	$5.30	$6.10	$5.80	$5.90	$5.80	$6.05	$5.60	$6.45	$91.90
	2020	2.0%	2.0%	1.000	$100.00	$117.15	$98.00	$114.80	$99.80	$92.80	$86.80	$19.20	$63.15	$97.60	$120.55	$6.45	$5.70	$6.70	$6.40	$6.50	$6.40	$6.65	$6.00	$7.05	$93.75
	2021	2.0%	2.0%	1.000	$100.00	$119.50	$98.00	$117.10	$102.10	$95.10	$89.10	$21.30	$64.40	$99.55	$122.95	$7.15	$6.20	$7.40	$7.10	$7.20	$7.10	$7.35	$6.50	$7.75	$95.65
	2022	2.0%	2.0%	1.000	$100.00	$121.90	$98.00	$119.45	$104.45	$97.45	$91.45	$21.75	$65.70	$101.55	$125.40	$7.30	$6.20	$7.55	$7.25	$7.35	$7.25	$7.50	$6.50	$7.90	$97.55
	2023	2.0%	2.0%	1.000	$100.00	$124.35	$98.00	$121.85	$106.85	$99.85	$93.85	$22.20	$67.00	$103.55	$127.95	$7.45	$6.20	$7.70	$7.40	$7.50	$7.40	$7.65	$6.50	$8.10	$99.50
	2024	2.0%	2.0%	1.000	$100.00	$126.80	$98.00	$124.30	$109.30	$102.30	$96.30	$22.65	$68.35	$105.65	$130.50	$7.60	$6.20	$7.85	$7.55	$7.65	$7.55	$7.80	$6.50	$8.25	$101.50
	2025	2.0%	2.0%	1.000	$100.00	$129.35	$98.00	$126.75	$111.75	$104.75	$98.75	$23.10	$69.70	$107.75	$133.10	$7.75	$6.20	$8.00	$7.70	$7.80	$7.70	$7.95	$6.50	$8.40	$103.55
	2026	2.0%	2.0%	1.000	$100.00	$131.95	$98.00	$129.30	$114.30	$107.30	$101.30	$23.70	$71.10	$109.90	$135.75	$7.95	$6.20	$8.20	$7.90	$8.00	$7.90	$8.15	$6.50	$8.60	$105.60
	2027	2.0%	2.0%	1.000	$100.00	$134.60	$98.00	$131.90	$116.90	$109.90	$103.90	$24.15	$72.55	$112.10	$138.50	$8.10	$6.20	$8.35	$8.05	$8.15	$8.05	$8.30	$6.50	$8.75	$107.70
	2028	2.0%	2.0%	1.000	$100.00	$137.30	$98.00	$134.55	$119.55	$112.55	$106.55	$24.60	$74.00	$114.35	$141.30	$8.25	$6.20	$8.50	$8.20	$8.30	$8.20	$8.45	$6.50	$8.90	$109.85
	2029	2.0%	2.0%	1.000	$100.00	$140.00	$98.00	$137.20	$122.20	$115.20	$109.20	$25.20	$75.45	$116.60	$144.05	$8.45	$6.20	$8.70	$8.40	$8.50	$8.40	$8.65	$6.50	$9.10	$112.05
	2030	2.0%	2.0%	1.000	$100.00	$142.80	$98.00	$139.95	$124.95	$117.95	$111.95	$25.65	$76.95	$118.95	$146.95	$8.60	$6.20	$8.85	$8.55	$8.65	$8.55	$8.80	$6.50	$9.30	$114.30
	2031	2.0%	2.0%	1.000	$100.00	$145.70	$98.00	$142.75	$127.75	$120.75	$114.75	$26.25	$78.50	$121.35	$149.90	$8.80	$6.20	$9.05	$8.75	$8.85	$8.75	$9.00	$6.50	$9.45	$116.60
	2032+	2.0%	2.0%	1.000	0.0%	2.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	2.0%	2.0%	2.0%	2.0%	2.0%	0.0%	2.0%	2.0%

Notes:
- All prices are in Canadian dollars except WTI and NYMEX gas which are in U.S. dollars.
- Edmonton city gate prices based on light sweet crude posted at major Canadian refineries. (40 Deg. API < 0.5% Sulphur)
- Natural Gas Liquid prices are forecasted at Edmonton therefore an additional transportation cost must be included to plant gate sales point.
- 1 Mcf is equivalent to 1 mmbtu.
- System gas prices includes TCGSL, Progas, Pan Alberta and Alliance.
- Real dollars listed include future growth in prices with no escalation considered.
- Alberta gas prices, except AECO, include an Average cost of service to the plant gate.

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Glossary of terms

AJM Deloitte subscribes to the Glossary of Terms as defined by the Canadian Oil and Gas Evaluation Handbook, Volume 2.

Exploration Licenses 1070, 1120, and 1097R

Introduction

The Corporation has requested AJM Deloitte to review and consolidate the results of prior resource reports prepared for blocks EL#1070, consolidated block EL#1097R (formerly: EL#1097, EL#1098, EL#1103, EL#1104) and EL#1120 into a single resource report as the Corporation has accumulated working interests in EL#1070 and EL#1097R and will have a working interest in EL# 1120 after executing on a farm out agreement with PEI.

EL#1070, EL#1097R, and EL#1120 are located offshore on the west coast of Newfoundland, approximately 40 to 50 kilometres west of the town of Corner Brook and encompass the offshore area surrounding the Port au Port Peninsula and Bay north towards the coastal town of Bellburns. The acreage captured by the licences is as follows: EL#1070 = 103,040 hectares; EL#1097R = 202,838 hectares; EL# 1120 = 140,210 hectares for a total of 446,088 hectares (1,102,308 acres).

The exploration licence EL#1070 was purchased in January of 2002 by CIVC and covers a total area of approximately 103,040 hectares (254,509 acres). The Corporation earned a 45.5 percent interest in the eastern portion of the licence by drilling the 2K-39 well in 2008. Pursuant to earning, the Corporation formed an agreement with partners in the licence, to trade deep rights for an increased percentage of shallow rights. As a result, the Corporation became operator of the shallow rights (Late Cambrian to Ordovician age sediments); their partner at that time was CIVC. During the past year, the Corporation purchased CIVC's interest in the Green Point shale. As of September 25, 2011, the Corporation has increased their working interest to 100 percent in EL# 1070. The Corporation has satisfied the "Period 1" term licence requirements by drilling and sampling the sediments within the 2K-39 wellbore. The offshore block of land is now subject to "Period 2" term of the licence requirements, to prove the existence of an accumulation of hydrocarbons that has the potential for sustained production. The Corporation continues to advance the Green Point shale prospect by planning and drilling the 3K-39 well (see Development plans for discussion).

NWest received approval from the Canada-Newfoundland and Labrador Offshore Petroleum Board in November 2011 to consolidate the Corporation's four offshore Exploration Licences 1097, 1098, 1103, and 1104 into the current EL#1097R. The terms of the consolidation required NWest to surrender 456,711 hectares (1,128,557 acres) from the four exploration licences and retain 202,838 hectares (501,233 acres) in the consolidated EL#1097R. Period 1 of EL# 1097R was to expire on January 15, 2012 unless NWest surrendered 50 percent of the contiguous lands with a payment of a refundable deposit of $250,000 or keep all of the contiguous EL#1097R acreage with a larger refundable drilling deposit of $1,000,000 which would place EL#1097R into Period 2. Period 2 expires on January 15, 2015 and in order to validate all sections of the Licence NWest must drill, complete, and adequately test a geological target of NWest's choice during the Period 2 transition. Subsequent to the successful consolidation of EL#1097R, NWest entered into an agreement with the Corporation where NWest and its subsidiary NWest Oil & Gas Inc. has transferred to the Corporation 100 percent working interest in the exploration licence EL#1097R. The Corporation has posted a drilling deposit and has extended Period 1 to January 15, 2013; the earning well is planned to spud in the first quarter of 2013 (see section: Development Plans for further details).

The authorized representative for exploration licence EL#1120 is currently PEI at 100 percent working interest. The licence is still in Period 1 and needs to be validated by a well. PEI and the Corporation have entered into a farm out agreement where the Corporation will drill a test well in the fourth quarter of 2012. The well will validate the license and earn the shallow rights (Cow Head Group) in a portion of the licence about 27,183 ha (67,285 acres) that is immediately adjacent to the coast line and accessible to drill from onshore. After drilling and testing the well the Corporation will have earned an 80 percent working interest in the farm out lands (see attached map of farm out acreage and see section: Development Plans for further details).

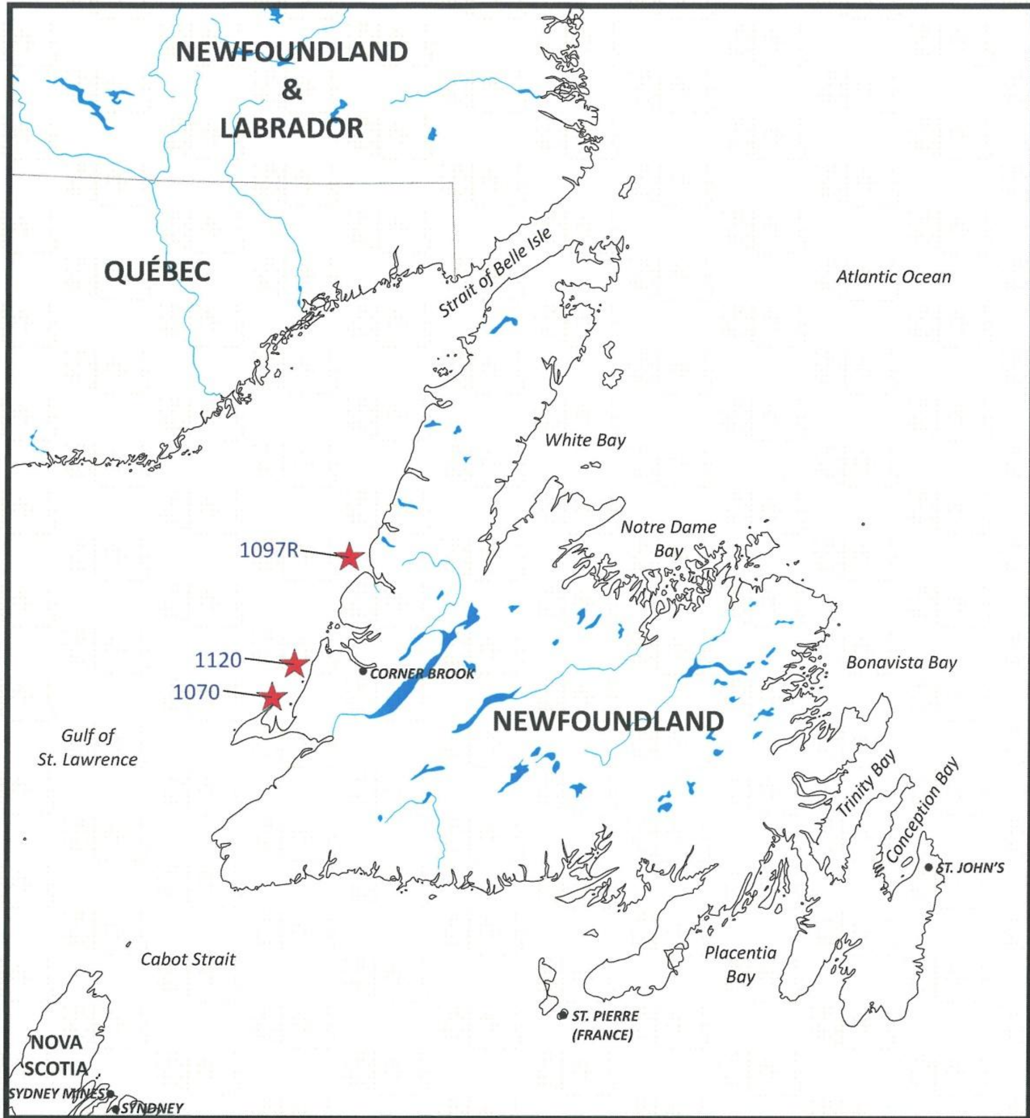
Resource categorization

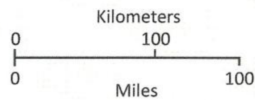
Refer to the Evaluation procedure for comprehensive definitions of resources and reserves. For the Green Point shale within the production license, all resources-in-place have been considered "Undiscovered" until the results of the drilling and testing of 3K-39 well are complete and that sustained oil flow from the Green Point Shale is proven by current testing operations. Estimated recoverable resources are therefore defined as Prospective Resources.

Results and recommendations

The results of the stochastic analysis for each reservoir are included in the tables below. The total volumes are an arithmetic sum, which statistical principles indicate may be misleading as to the low and high estimate volumes that may actually be recovered. The sum of the best estimates is generally considered to be an approximation of overall best estimate. However, the sum of the low estimate is likely to be lower than the expected low estimate, and the sum of the high estimate is likely to be higher than the expected high estimate.

Location





ajm Deloitte.

Shoal Point Energy Ltd.
Property Locations
Effective March 31, 2012

By : laj
Date : 2012/05/01
Project : sho loc

Summary of results

Summary of resources on Shoal Point lands[1]

Resource class	Gross Low [4] MMstb	Gross Best[5] MMstb	Gross High [6] MMstb	Working interest Low [4] MMstb	Working interest Best[5] MMstb	Working interest High [6] MMstb
Cumulative production[1][2]	0	0	0	0	0	0
Remaining reserves[1][2]	0	0	0	0	0	0
Surface loss/shrinkage	0	0	0	0	0	0
Total commercial	0	0	0	0	0	0
Contingent resources[2]	0	0	0	0	0	0
Unrecoverable[3]	0	0	0	0	0	0
Total sub-commercial	0	0	0	0	0	0
Total discovered PIIP	0	0	0	0	0	0
Prospective resources[2]	475	969	2,172	475	969	2,172
Unrecoverable[3]	10,745	21,491	47,197	10,745	21,941	47,197
Total undiscovered PIIP	11,220	22,460	49,369	11,220	22,460	49,369
Total PIIP	**11,220**	**22,460**	**49,369**	**11,220**	**22,460**	**49,369**

Notes		
Notes	(1)	Effective March 31, 2012.
	(2)	Sales gas and NGL volumes combined as appropriate.
	(3)	Unrecoverable includes surface loss/shrinkage on contingent and prospective volumes.
	(4)	Low case reflects 1P reserves.
	(5)	Expected case reflects 2P reserves.
	(6)	High case reflects 3P reserves.

Additional details regarding the stochastic analysis are included within the Tables section of the report. Within these tables, the two unconventional shale zones were summed together using a Monte Carlo analysis, as were the four conventional Miocene structures.

Cautionary statements

The estimate of remaining recoverable resources (un-risked) includes prospective resources that have not been adjusted for risk based on the chance of discovery or chance of development. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development. Actual recovery is likely to be less and may be substantially less or zero.

Geology

The stratigraphy, the distribution of rock types, and geological structures in Newfoundland are the result of a complex history of plate tectonic activity. Newfoundland has been geologically subdivided into five techno-stratigraphic zones. The western zone is known as the Humber (Humber Arm Super group), which includes the west coast of Newfoundland from the Northern Peninsula through to the Port au Port Peninsula. The Humber zone is the northeastern extension of the Appalachian fold belt, which is a large tectonic system that extends along the eastern edge of North America. Presently many oil and gas companies are developing hydrocarbons in various shale basins along the Appalachian thrust belt (Barnett, Fayetteville, and the Utica).

The presence of numerous oil seeps along the west coast of Newfoundland particularly in the Port au Port Peninsula area and Parson's Pond have been known since the early 19th Century and several wells drilled in the early 20th Century have recovered small quantities of oil (reports of 10 to 20 barrels per day of light gravity crude 32° to 51°API). Biomarker distributions indicate that the shales of the Green Point Formation are the source of the oils obtained from seeps and wells (Fowler et al, 1995). The Green Point shale is the proven source rock for the Anticosti Basin onshore and is present in the Humber Arm allochthonous sedimentary rocks.

Industry has been able to use offshore and onshore seismic surveys to interpret the areal extent of a thrust package - "triangle zone" – of the Humber Arm Allochthon over an area of approximately 1,600 Km^2 extending from south to north offshore adjacent to the west coast shoreline. Surface geological mapping confirms the presence of the Allochthon and Green Point shale onshore in Port Au Port Peninsula area. Seismic lines crossing the Corporation's land and outcrop information show the presence of the Allochthon onshore and offshore from Port Au Port Peninsula north towards the town of Bellburns along the western coast (see attached map appendix A). The presence of the Allochthon within the Corporation's licences proves the acreage as prospective for oil in the shallow shales of the Cow Head Group (Green Point Formation).

The purpose of this report is to provide a stochastic analysis of the potential in place oil resource that may be present on the licences: EL#1070, EL#1120 and EL#1097R acreage. To estimate the potential extent of the Humber Arm Allochthon and the Green Point shale (illustrated in the attached map, see appendix A) AJM Deloitte relied on seismic data provided by the client, specifically interpreted seismic maps over EL#1070 and EL#1097R. On seismic the boundaries of the Triangle zone of the Humber Arm Allochthon are defined by the intersection of the Tea Cove thrust and the Round Head Thrust at the apex of the triangle and at the base by the intersection of each fault with the underlying platform sediments. AJM Deloitte assumed that the resource potential of the Green Point within a gross Allochthon thickness below 1,000 metres may not be material to the total resource potential within the lease. The Allochthon thickness below 1,000 metres is considered too thin to have significant resource potential within the Green Point shale and has been excluded from the estimate of the Green Point Resource area. The acreage within the map area shaded brown provided an estimate of the maximum area (P_1) possible where the Green Point shale might be encountered.

Gross thickness of the Green Point was estimated from the seismic by assuming an average travel time velocity of 2,000 metres per second within the Allochthon sediments and that time thickness was reconciled to the estimated thickness encountered in the well M-16 to result in a (P_1) maximum thickness of approximately 3,000 metres. Net thickness was determined by applying a net to gross ratio to the gross thickness. The values for the net to gross ratios were based on the following assumptions: the Green Point shale sediments are only a portion of the Allochthon triangle and seismic is unable to resolve for the actual thickness of shale. The net thickness of the Green Point shale within the Triangle zone is

conjecture and although the entire mapped area of the triangle has been considered at this point as there is no well onshore that currently penetrates the thicker portion of the Allochthon.

The estimates of porosity ranges and net to gross are consistent with interpretations derived from consultant's (proprietary report by Nutech) analysis of the M-16 well drilled on Long Point. The remaining estimates of reservoir parameters have relied on experience with shale oil and gas reservoirs in North America.

Analogous plays

Currently there is no commercial production from the unconventional late Cambrian Green Point shale of West Newfoundland in order to draw nearby analogs from. The evaluation of the unconventional shale has relied upon experience gained in evaluation of the unconventional Green Point shale in the Port au Port area of Western Newfoundland, Canada, as well as other shale oil and gas reservoirs in western Canada.

Geological risk factors

The geological risk factors are summarized within the Tables Section of the report. A total of six criteria are considered in determining the overall geological risk:

- Source rock – is there thermally mature hydrocarbon source rock present in adequate thickness, extent and organic richness,
- Charge – is the source rock capable of generating hydrocarbon,
- Migration – are there sufficient migration pathways such as faults, fractures and carrier beds to the reservoir,
- Reservoir rock – does the reservoir have favourable parameters such as thickness, pore space and the ability to allow fluid flow,
- Trap / Closure – does closure of the reservoir exist in terms of adequate areal extent and vertical relief,
- Seal / Containment – are there effective sealing rocks present to ensure that containment has occurred.

A factor ranging from zero to one is assigned to each criterion. The geological chance of success is the product of all of the factors. For the unconventional targets, the geological chance of success is 18 percent, whereas the conventional targets geological chance of success is estimated to be 20 percent.

Technical assessment

Probabilistic analysis

AJM Deloitte has prepared a statistical estimate of the expected oil-in-place resource based on a volumetric analysis of the Green Point shale. Because of the uncertainty inherent in reservoir parameters, probabilistic analysis, which is based on statistical techniques, provides a formulated approach by which to obtain a reasonable assessment of the petroleum initially-in-place ("PIIP").

Due to the uncertainty related to undiscovered accumulations, the most appropriate method of estimating the prospective resources is to prepare a stochastic analysis of the target reservoir. The probabilistic analysis involves generating a range of possible outcomes for each unknown parameter along with its associated probability of occurrence. When a probabilistic analysis is applied to resource estimation, it provides a range of resource estimates.

All of the ranges assume a lognormal distribution, and the P_{90} (low), P_{50} (best), and P_{10} (high) parameters are shown in the attached tables. During the preparation of the distributions, the P_{99} (minimum) and P_1 (maximum) outcomes are also reviewed to ensure an appropriate distribution. The determination of the P_{90}, P_{50}, and P_{10} oil-in-place estimates included a volumetric calculation to estimate the original oil-in-place in the reservoir. The products of these volumetric calculations were plotted on a probability scale so that the correct P_{90} and P_{10} oil-in-place volumes could be interpolated.

In preparing a resource estimate for the Green Point shale, AJM Deloitte assessed the following volumetric parameters: areal extent, pay thickness, porosity, hydrocarbon saturation, shrinkage, and recovery factor. The determination of probabilistic distributions of reservoir parameters relied on seismic mapping and other data supplied by the Corporation which consisted of powerpoint presentations, published papers and personal communications. AJM Deloitte considered a wide distribution range for the low (P_{90}) to high (P_{10}) scope when estimating each of the geological parameters because of the uncertainty at this stage of exploration.

Area

The estimate of the range between the P_{90} productive area and P_{10} productive area is wide because of the uncertainty of the extent and distribution of reservoir quality and oil saturation in the allochthonous sediments. The areal extent of the unconventional shale was estimated from regional mapping; outcrop information and a review of various reports detailing the geology of the basin (see reference section).

Gross thickness

The gross thickness of the Humber Arm Allochthon was determined from seismic mapping of the thrust package that contains the Green Point shale and onshore outcrop information supplied by the client. The gross thickness of the Allochthon ranges from a minimum (P_{99}) of approximately eight metres to a maximum (P_1) of 890 metres.

Net to gross ratio

Net to gross ratio to determine net thickness of Green Point shale was contemplated as an estimated percentage of the total Allochthon triangle as seismic is unable to resolve the net thickness of the shale.

Porosity, hydrocarbon saturations, formation volume factors

The reservoir parameters assigned to the unconventional shales are consistent with parameters assigned to other typical shale resource plays. As shale oil zones have historically not been evaluated in detail, specific values related to the porosity, saturation and formation volume factor are subject to a wide distribution.

The porosity range was estimated by considering a P_{99} of approximately 2.5 percent, and a P_1 of approximately 20 percent.

Hydrocarbon saturation uncertainty was considered by assigning a wide range of possible outcomes, from a P_{99} of approximately 15 percent and a P_1 of 70 percent.

Shrinkage (Formation Volume Factor) is also set at a wide range, considering the possibility of over pressured reservoirs.

Recovery factor

The recovery assigned to the unconventional shales ranges from three percent for the P_{90} to six percent for the $P_{10.}$ This range allows for recoveries as low as two percent (P_{99}) and as high as eight percent (P_1). Until there is better understanding of the production characteristics of the Green Point shale, the assignment of conservative recovery factors is reasonable for the targets considered for future development.

Development plans

EL#1070

The Exploration well 3K-39 commenced drilling operations in the first quarter of 2011. The initial drilling of the well was finished in August 2011, at which time drilling was suspended; pending approval of the testing program. The testing program was completed at 3K39z on May 24, 2012 and currently the crew is swabbing the well while waiting for enhanced completion operations approval.

The following table summarizes the costs incurred to date and anticipated completion costs to stimulate the reservoir and recover hydrocarbons:

	Acquisition	Exploration	Total
January 31, 2012	$4,677,552	$21,659,236	$26,336,788
February 1,2012 to April 30, 2012	$200,000	$6,788,940	$6,988,940
Total	$4,877,552	$28,448,176	$33,325,728
Total Costs to April 30,2012			$33,325,728
Anticipated fracture stimulation			$1,750,000

After a successful fracture stimulation program and hydrocarbons are recovered, the Corporation plans to make application to the regulatory authority, by the end of 2012, for a Significant Discovery License ("SDL") – lands included in the SDL will be preserved in perpetuity for production. Parallel to this process, a development plan will be filed which, once approved, will allow the Corporation to proceed with future drilling of appraisal and development wells on the SDL. The first appraisal well is projected for early 2014 on this SDL, and is expected to cost $6 million.

The following development plans for EL#1120 and EL#1097R are contingent upon successfully obtaining additional subsequent financing:

EL#1120

An earning well is planned for the final quarter of 2012 on EL#1120. The Corporation will operate a well at a site in Littleport village, on the coast along the Gulf of St. Lawrence approximately five kilometers south of the Bay of Islands. This well will be programmed to a depth of 2,500 metres and will be deviated from onshore to test the offshore license. The prospective Green Point Formation is expected to be encountered at a depth between 500 -1,000 metres. This well is expected to cost approximately $8 million. With this well, the Corporation will earn an 80 percent working interest in approximately 67,000 acres along the coast on EL#1120.

EL#1097R

An earning well is planned for the first quarter of 2013, and will follow the Littleport well once the rig has been release from that site. The Corporation will operate a well at a site yet to be determined, but at a point along the coast of good access, low population and proximity to the shoreline. This well will be programmed to a depth of 2,500 metres and will be deviated from onshore to test the offshore license. The well will be spudded in the prospective Green Point Formation, and is expected to remain in this formation until total depth. The well is expected to cost approximately $8 million, and with it, the Corporation will fulfil a commitment to earn a 100 percent working interest in approximately 500,000 acres in EL#1097R.

West Newfoundland onshore land sale

A Call for bids may be issued in 2012 for onshore petroleum rights in western Newfoundland. Depending on the forthcoming results of its current testing on EL#1070, and to some extent market conditions, the Corporation may decide to participate in this land sale. To that effect, it may attempt to identify a joint venture partner, or chose to commit its own funds to deposits associated with bid submission, up to $5,000,000, to participate in this sale.

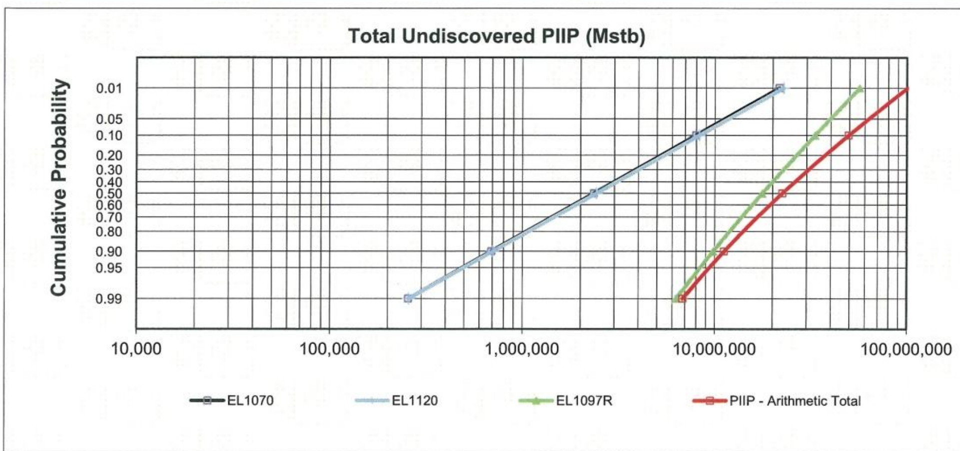
Development risk factors

The chances of geological success are discussed within the "Geology" section of the report. The chances of development for the estimated prospective resources are subject to a number of factors, including: the overall project economics, the employed recovery technology or technology under development, regulatory and environmental approval, the availability of markets and production facilities, and political risk to the development.

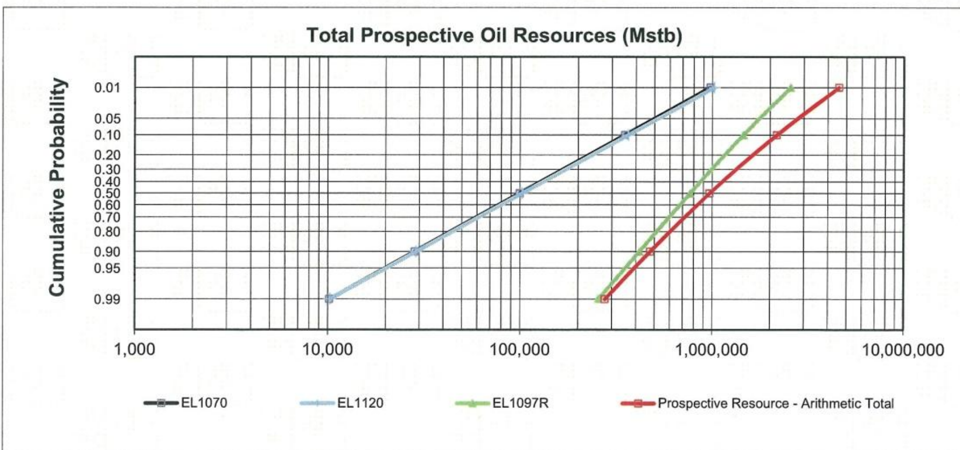
Prior to committing to any defined development, additional drilling, sampling and testing will be required to further quantify the hydrocarbon potential in the permit.

Company Evaluated: Shoal Point Energy
Appraisal For: Shoal Point Energy - West Coast Newfoundland
Permit / Block: EL1070, EL1120, EL1097R

			Low	Best	High
EL1070	Green Point Shale	Mstb	693,289	2,352,512	7,982,691
EL1120	Green Point Shale	Mstb	704,329	2,420,715	8,319,780
EL1097R	Green Point Shale	Mstb	9,822,002	17,687,031	33,066,136
Undiscovered PIIP		**Mstb**	**11,219,620**	**22,460,258**	**49,368,606**



			Low	Best	High
EL1070	Green Point Shale	Mstb	28,401	99,809	350,753
EL1120	Green Point Shale	Mstb	28,886	102,702	365,157
EL1097R	Green Point Shale	Mstb	418,122	766,044	1,456,179
Prospective Resources		**Mstb**	**475,409**	**968,555**	**2,172,089**



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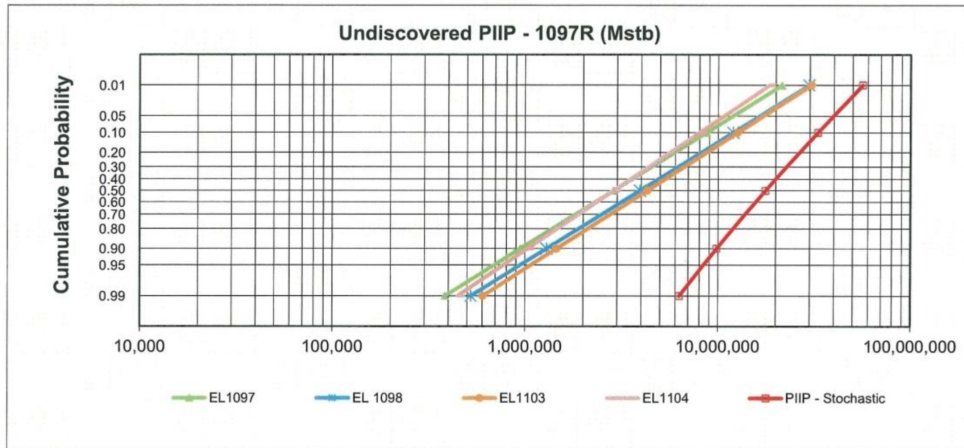
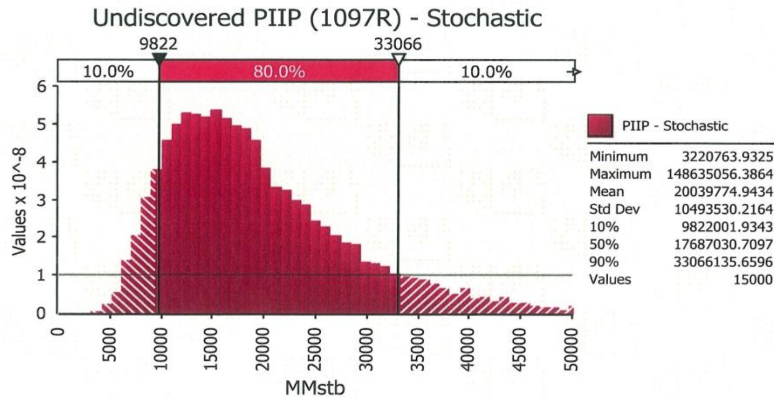
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1097, EL 1098, EL1103, EL1104

			Low	Best	High
EL1097	Green Point Shale	Mstb	947,273	2,874,808	8,724,538
EL 1098	Green Point Shale	Mstb	1,296,687	3,944,248	11,997,571
EL1103	Green Point Shale	Mstb	1,458,890	4,302,795	12,690,505
EL1104	Green Point Shale	Mstb	1,033,004	2,878,634	8,021,778
Undiscovered PIIP		**Mstb**	**9,822,002**	**17,687,031**	**33,066,136**





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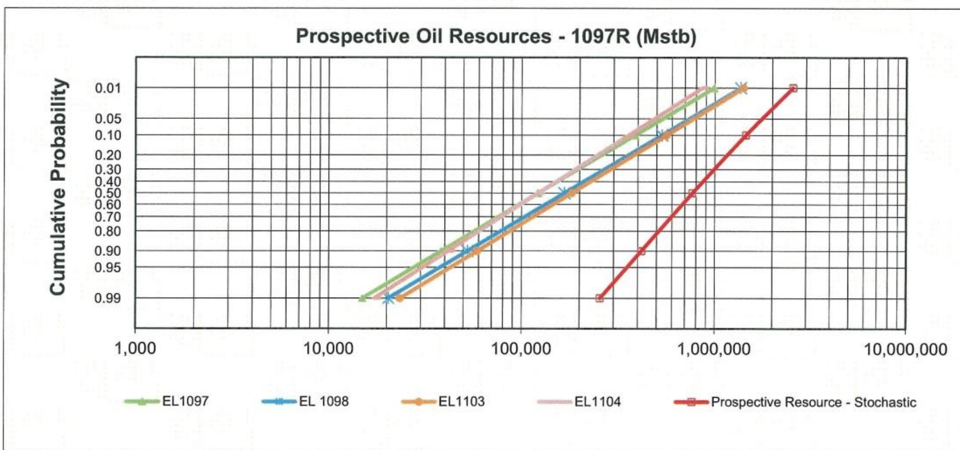
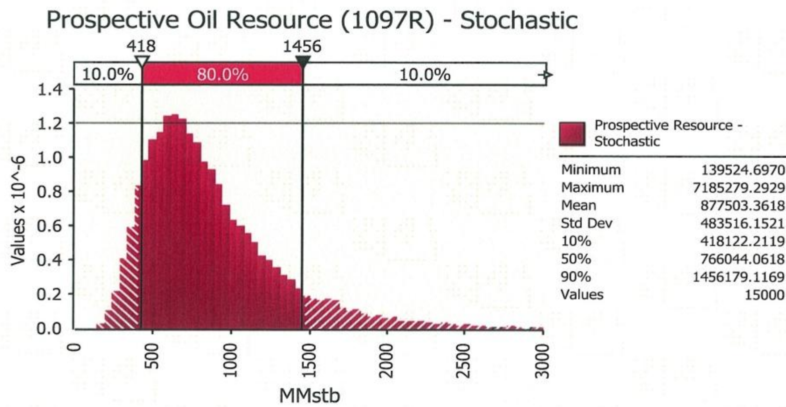
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1097, EL 1098, EL1103, EL1104

			Low	Best	High
EL1097	Green Point Shale	Mstb	38,430	121,968	387,096
EL 1098	Green Point Shale	Mstb	52,616	167,340	532,209
EL1103	Green Point Shale	Mstb	59,039	182,552	564,463
EL1104	Green Point Shale	Mstb	41,598	122,130	358,571
Prospective Resources		**Mstb**	**418,122**	**766,044**	**1,456,179**





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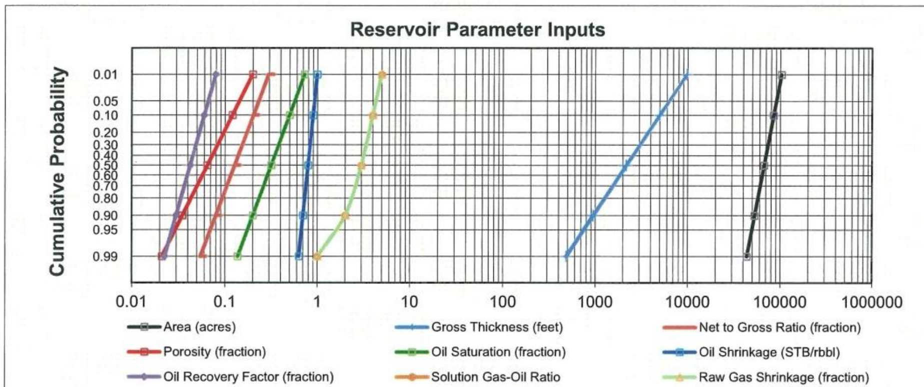
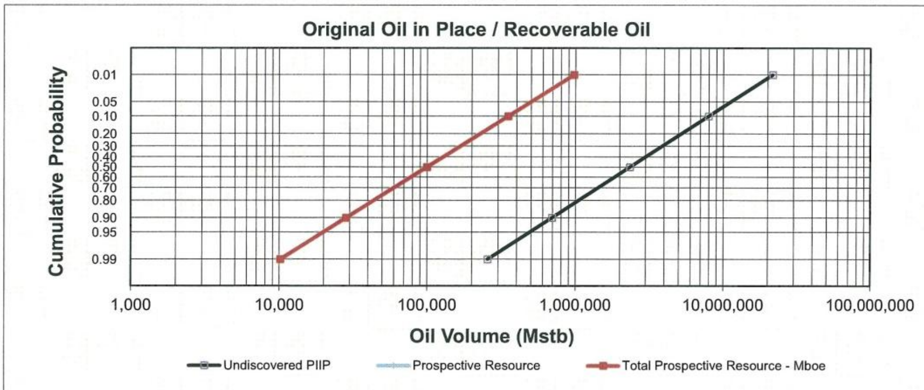
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1070
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale

		Low	Best	High
Area	acres	53,000	67,119	85,000
Gross Thickness	feet	950.0	2,179.4	5,000.0
	metres	289.6	664.3	1,524.0
Net to Gross Ratio	fraction	0.08	0.13	0.20
Porosity	fraction	0.04	0.06	0.12
Hydrocarbon Saturation	fraction	0.20	0.32	0.50
Oil Shrinkage	STB/rbbl	0.700	0.794	0.900
Oil Formation Volume Factor	*rbbl/STB*	1.429	1.260	1.111
Undiscovered PIIP	**Mstb**	**693,289**	**2,352,512**	**7,982,691**
Oil Recovery Factor	fraction	0.03	0.04	0.06
Prospective Resource	**Mstb**	**28,401**	**99,809**	**350,753**





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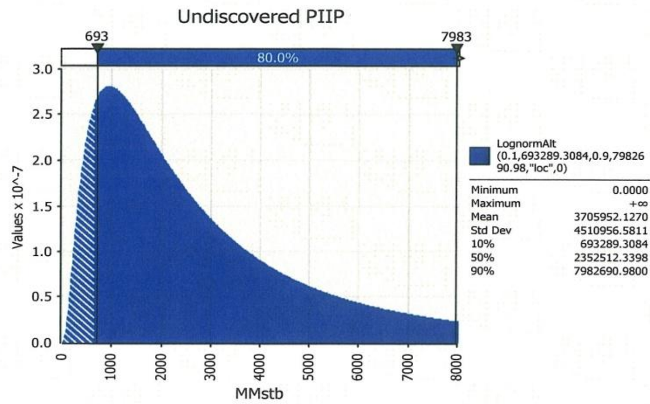
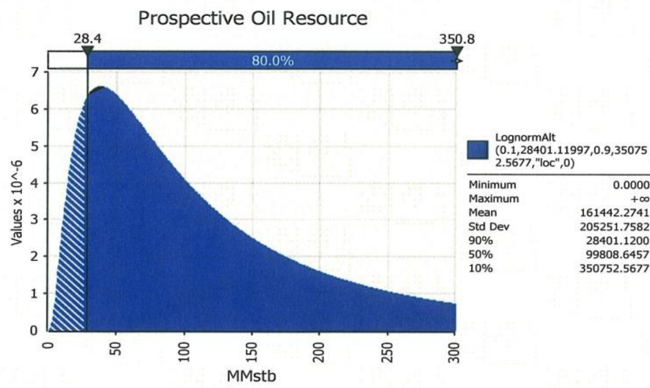
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1070
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale





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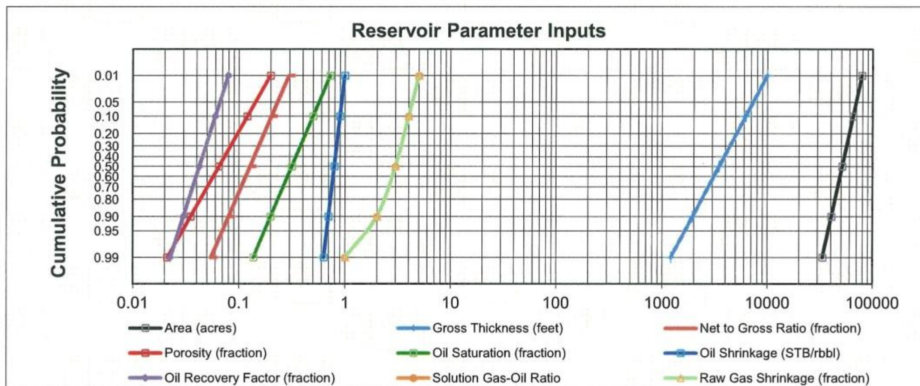
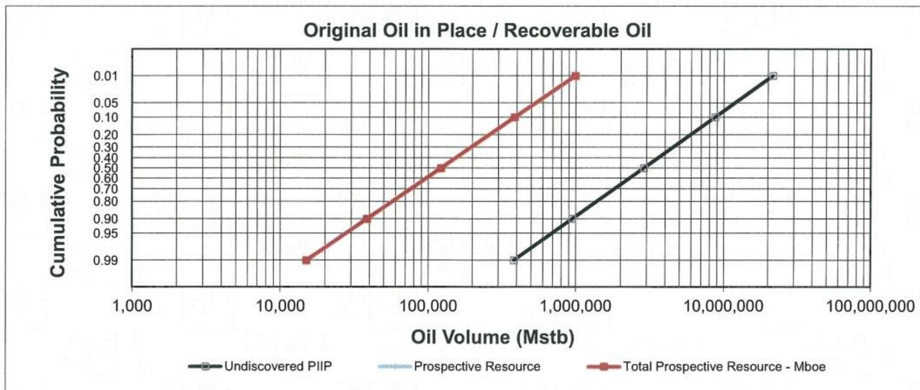
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1097
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale

		Low	Best	High
Area	acres	40,500	51,308	65,000
Gross Thickness	feet	1,950.0	3,484.1	6,225.0
	metres	594.4	1,061.9	1,897.4
Net to Gross Ratio	fraction	0.08	0.13	0.20
Porosity	fraction	0.04	0.06	0.12
Hydrocarbon Saturation	fraction	0.20	0.32	0.50
Oil Shrinkage	STB/rbbl	0.700	0.794	0.900
Oil Formation Volume Factor	*rbbl/STB*	1.429	1.260	1.111
Undiscovered PIIP	**Mstb**	**947,273**	**2,874,808**	**8,724,538**
Oil Recovery Factor	fraction	0.03	0.04	0.06
Prospective Resource	**Mstb**	**38,430**	**121,968**	**387,096**





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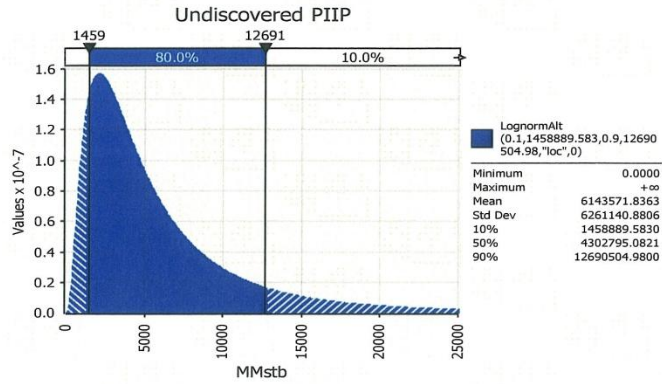
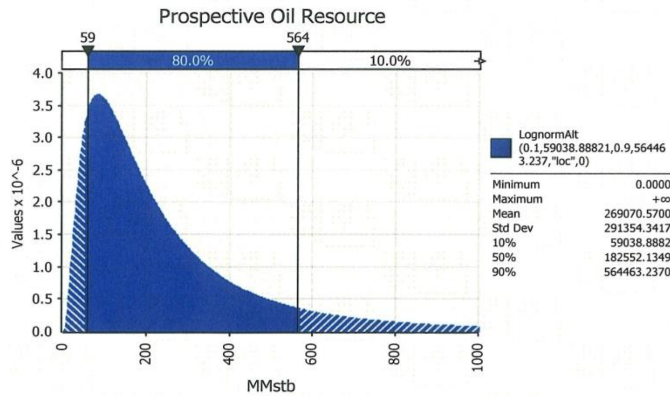
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1103
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale





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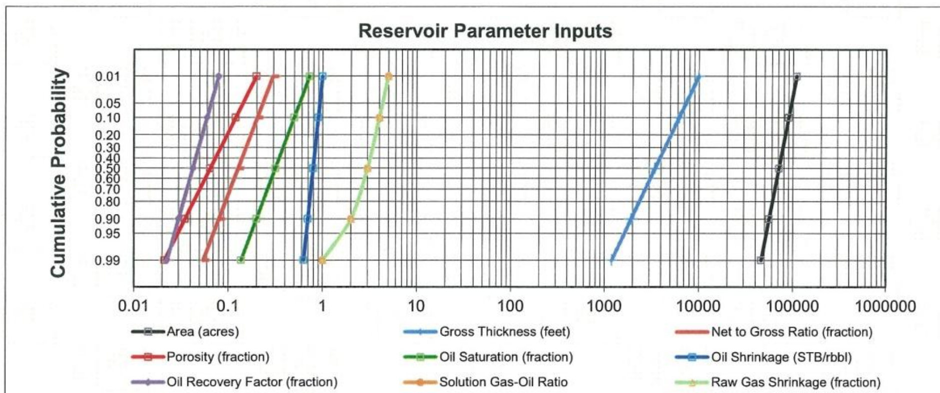
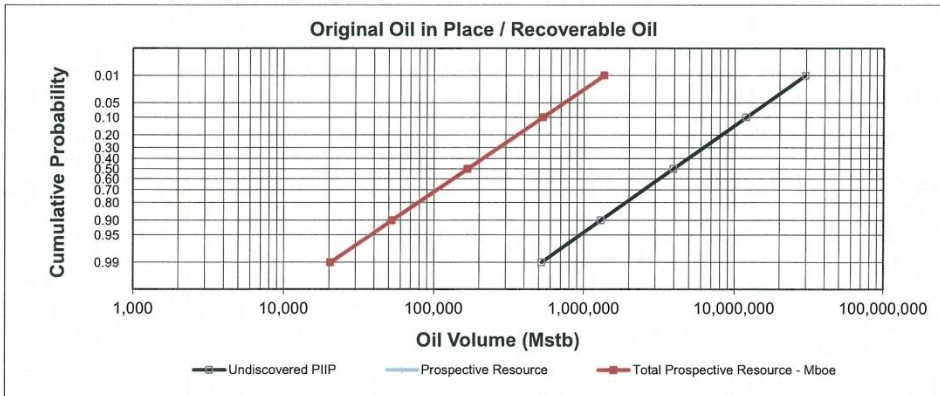
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL 1098
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale

		Low	Best	High
Area	acres	56,000	70,993	90,000
Gross Thickness	feet	1,925.0	3,454.7	6,200.0
	metres	586.7	1,053.0	1,889.8
Net to Gross Ratio	fraction	0.08	0.13	0.20
Porosity	fraction	0.04	0.06	0.12
Hydrocarbon Saturation	fraction	0.20	0.32	0.50
Oil Shrinkage	STB/rbbl	0.700	0.794	0.900
Oil Formation Volume Factor	*rbbl/STB*	1.429	1.260	1.111
Undiscovered PIIP	**Mstb**	**1,296,687**	**3,944,248**	**11,997,571**
Oil Recovery Factor	fraction	0.03	0.04	0.06
Prospective Resource	**Mstb**	**52,616**	**167,340**	**532,209**





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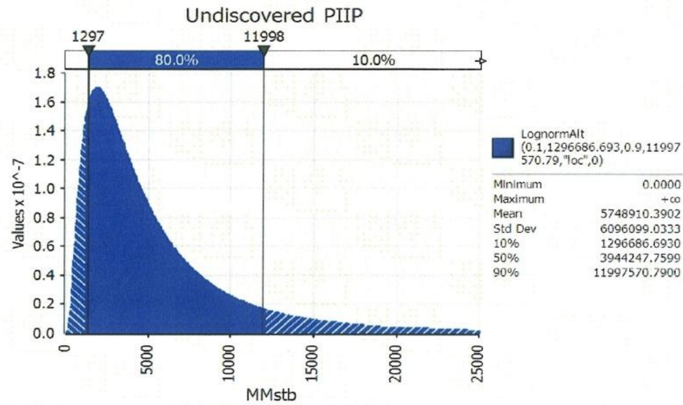
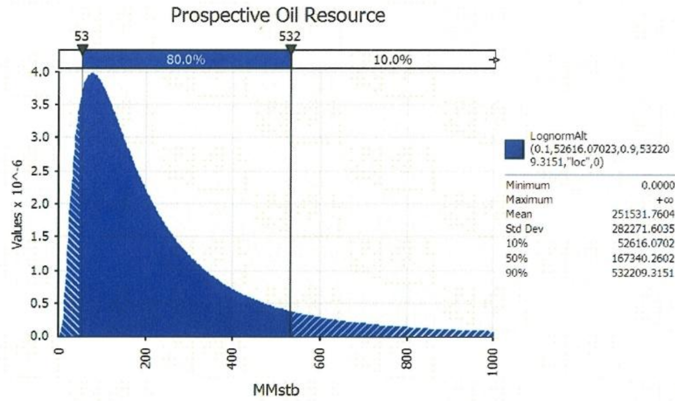
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL 1098
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale





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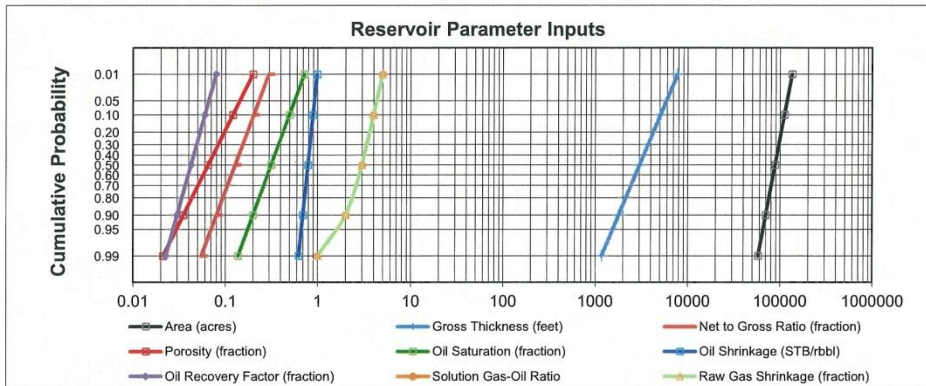
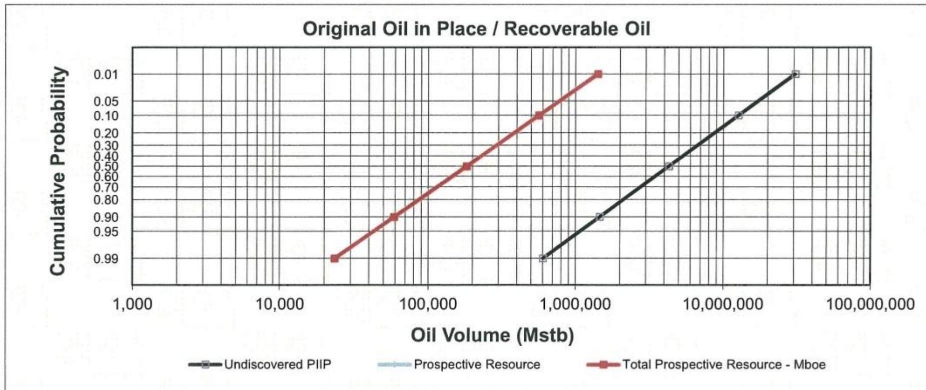
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1103
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale

		Low	Best	High
Area	acres	70,000	88,306	111,400
Gross Thickness	feet	1,800.0	3,029.9	5,100.0
	metres	548.6	923.5	1,554.5
Net to Gross Ratio	fraction	0.08	0.13	0.20
Porosity	fraction	0.04	0.06	0.12
Hydrocarbon Saturation	fraction	0.20	0.32	0.50
Oil Shrinkage	STB/rbbl	0.700	0.794	0.900
Oil Formation Volume Factor	*rbbl/STB*	1.429	1.260	1.111
Undiscovered PIIP	**Mstb**	**1,458,890**	**4,302,795**	**12,690,505**
Oil Recovery Factor	fraction	0.03	0.04	0.06
Prospective Resource	**Mstb**	**59,039**	**182,552**	**564,463**





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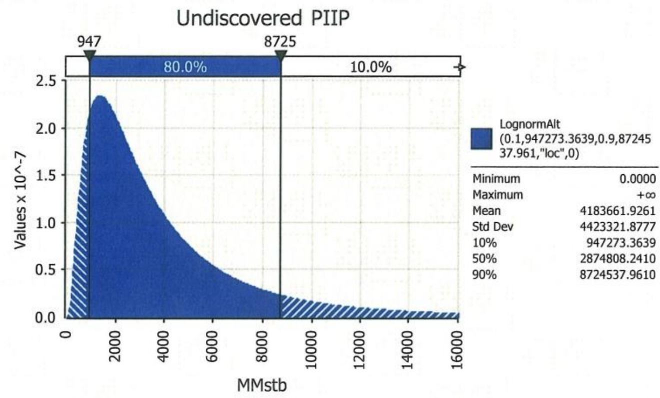
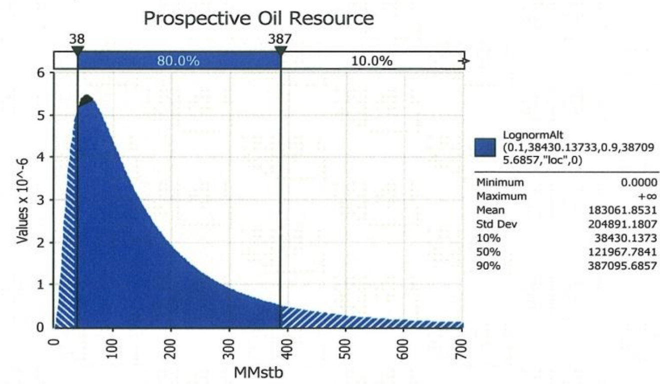
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1097
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale





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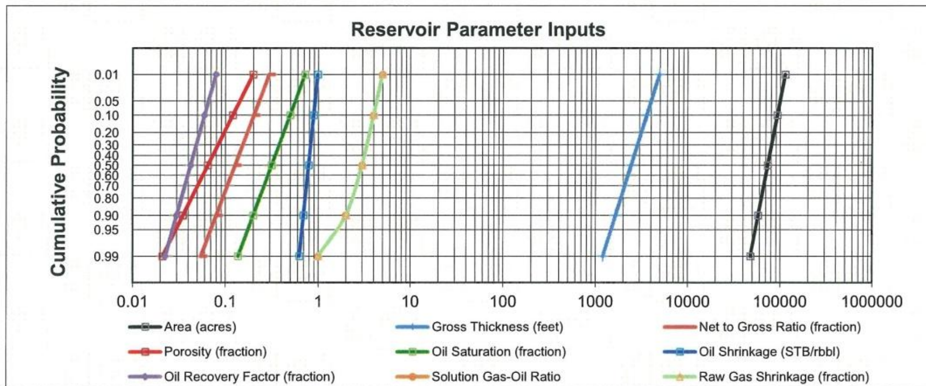
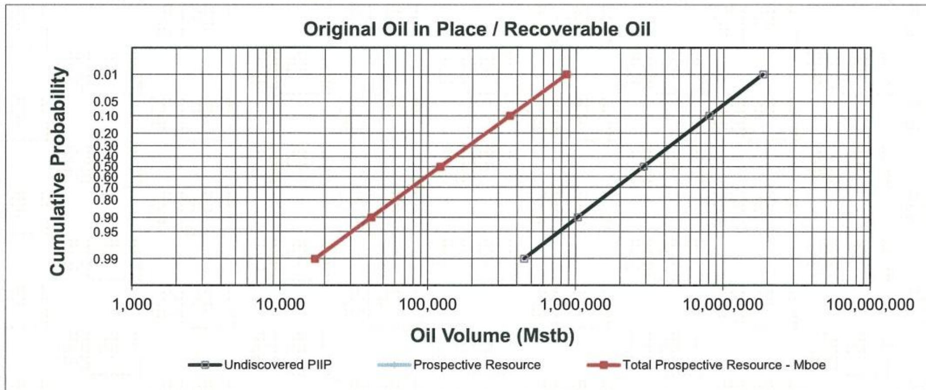
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1104
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale

		Low	Best	High
Area	acres	58,000	73,444	93,000
Gross Thickness	feet	1,650.0	2,437.2	3,600.0
	metres	502.9	742.9	1,097.3
Net to Gross Ratio	fraction	0.08	0.13	0.20
Porosity	fraction	0.04	0.06	0.12
Hydrocarbon Saturation	fraction	0.20	0.32	0.50
Oil Shrinkage	STB/rbbl	0.700	0.794	0.900
Oil Formation Volume Factor	*rbbl/STB*	1.429	1.260	1.111
Undiscovered PIIP	**Mstb**	**1,033,004**	**2,878,634**	**8,021,778**
Oil Recovery Factor	fraction	0.03	0.04	0.06
Prospective Resource	**Mstb**	**41,598**	**122,130**	**358,571**





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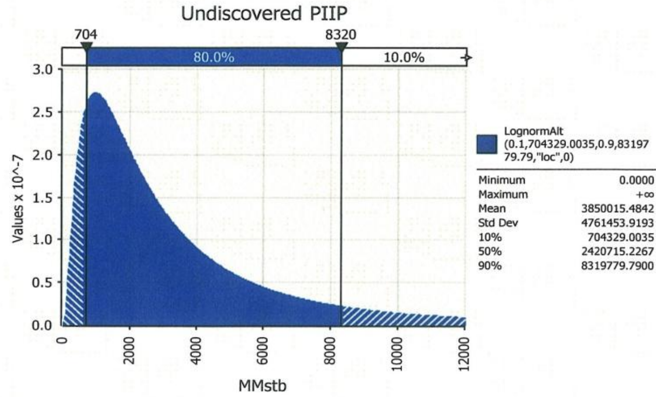
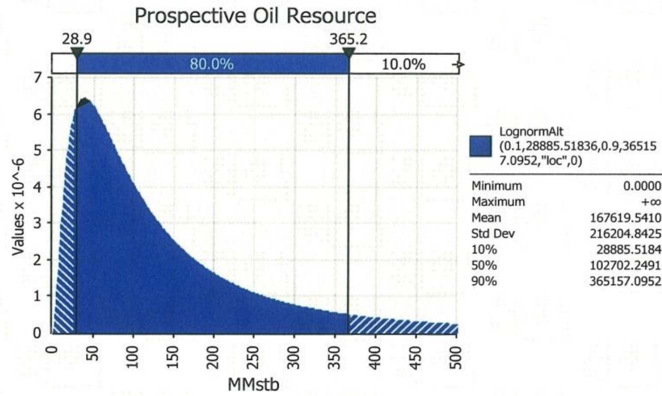
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1120
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale





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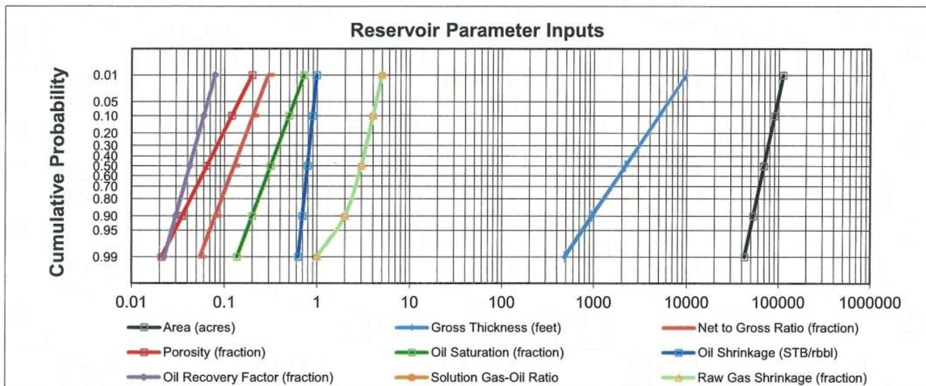
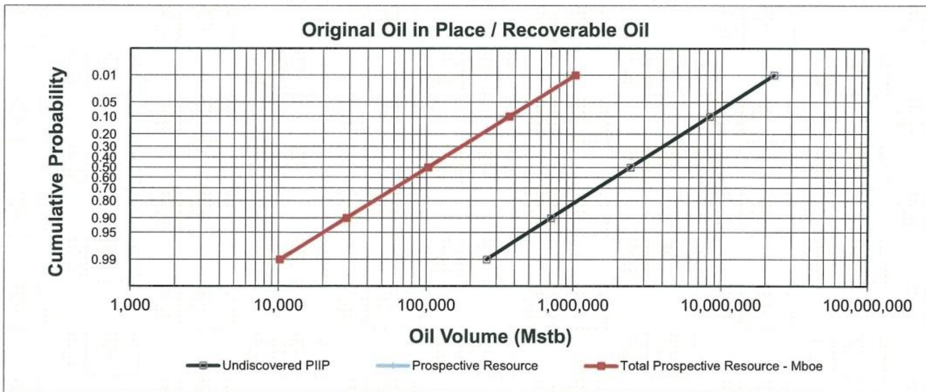
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1120
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale

		Low	Best	High
Area	acres	53,000	69,065	90,000
Gross Thickness	feet	950.0	2,179.4	5,000.0
	metres	289.6	664.3	1,524.0
Net to Gross Ratio	fraction	0.08	0.13	0.20
Porosity	fraction	0.04	0.06	0.12
Hydrocarbon Saturation	fraction	0.20	0.32	0.50
Oil Shrinkage	STB/rbbl	0.700	0.794	0.900
Oil Formation Volume Factor	*rbbl/STB*	1.429	1.260	1.111
Undiscovered PIIP	**Mstb**	**704,329**	**2,420,715**	**8,319,780**
Oil Recovery Factor	fraction	0.03	0.04	0.06
Prospective Resource	**Mstb**	**28,886**	**102,702**	**365,157**





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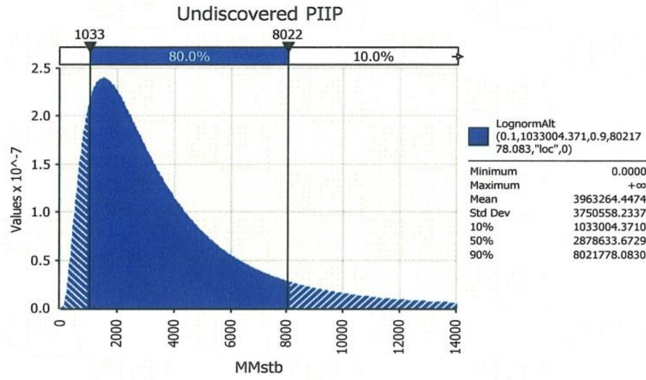
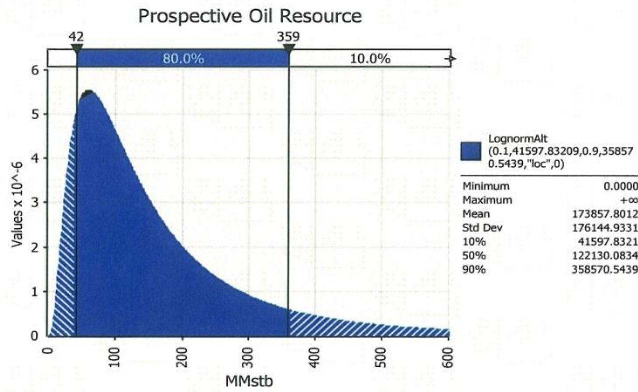
Company Evaluated:	Shoal Point Energy
Appraisal For:	Shoal Point Energy - West Coast Newfoundland
Permit / Block:	EL1104
Entity Name:	Humber Arm Allochthon
Formation:	Green Point Shale





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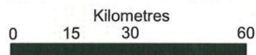
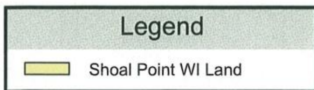
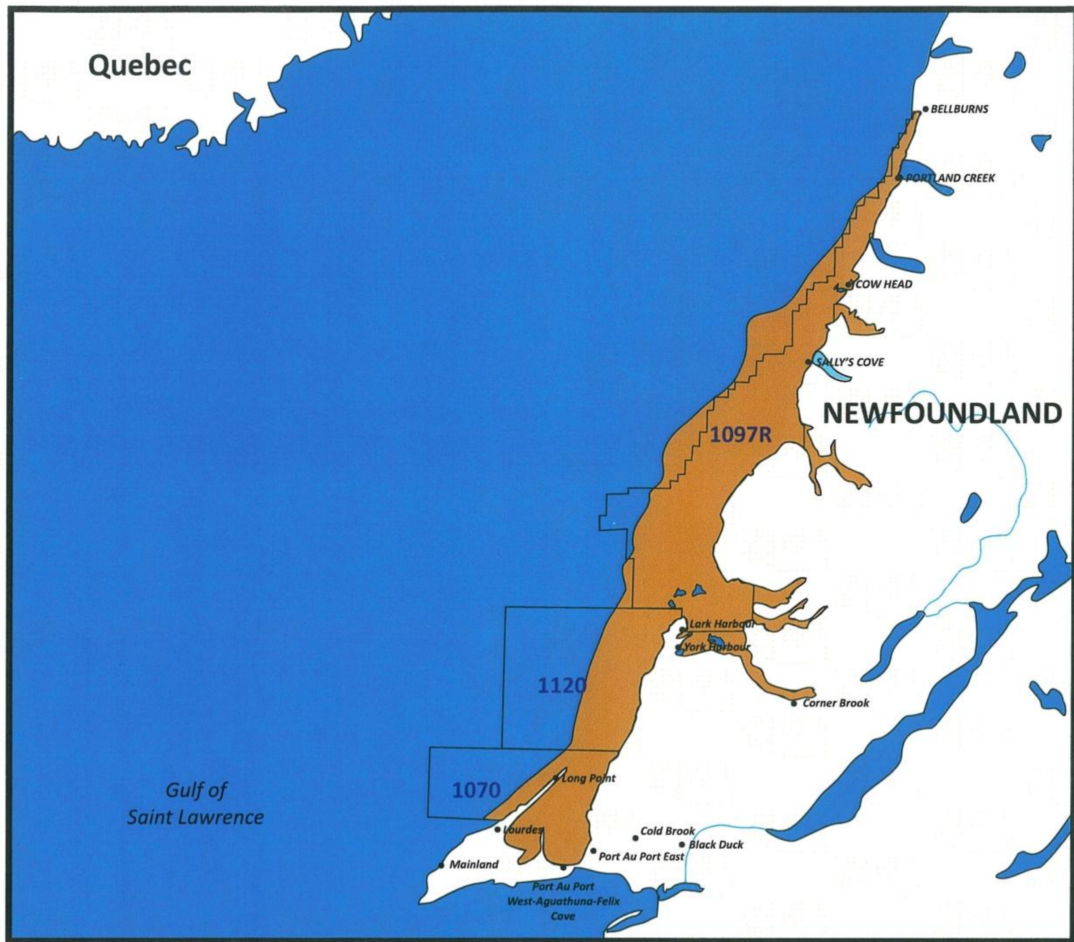


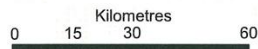


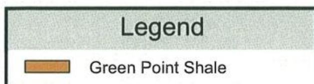
ajm Deloitte.

**Shoal Point Energy Ltd.
West Coast Newfoundland
Exploration Licences**

By : laj		Date : 2012/05/01
Project : wcnf lc		
Source : www.cnlopb.nl.ca		



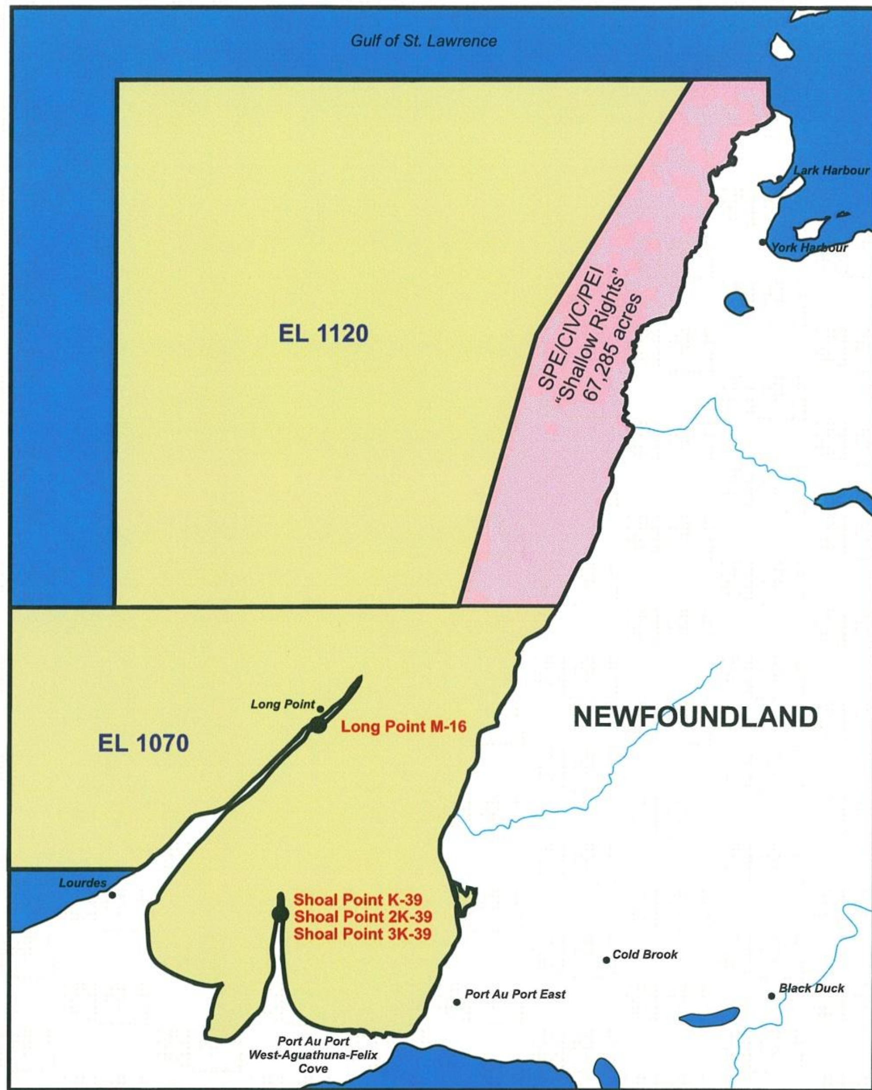


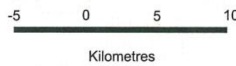


ajm Deloitte.

Shoal Point Energy Ltd.
West Coast Newfoundland
Estimated Geological Extent
of the Green Point Shale

By : laj		Date : 2012/05/01
Project : wcnf gps		





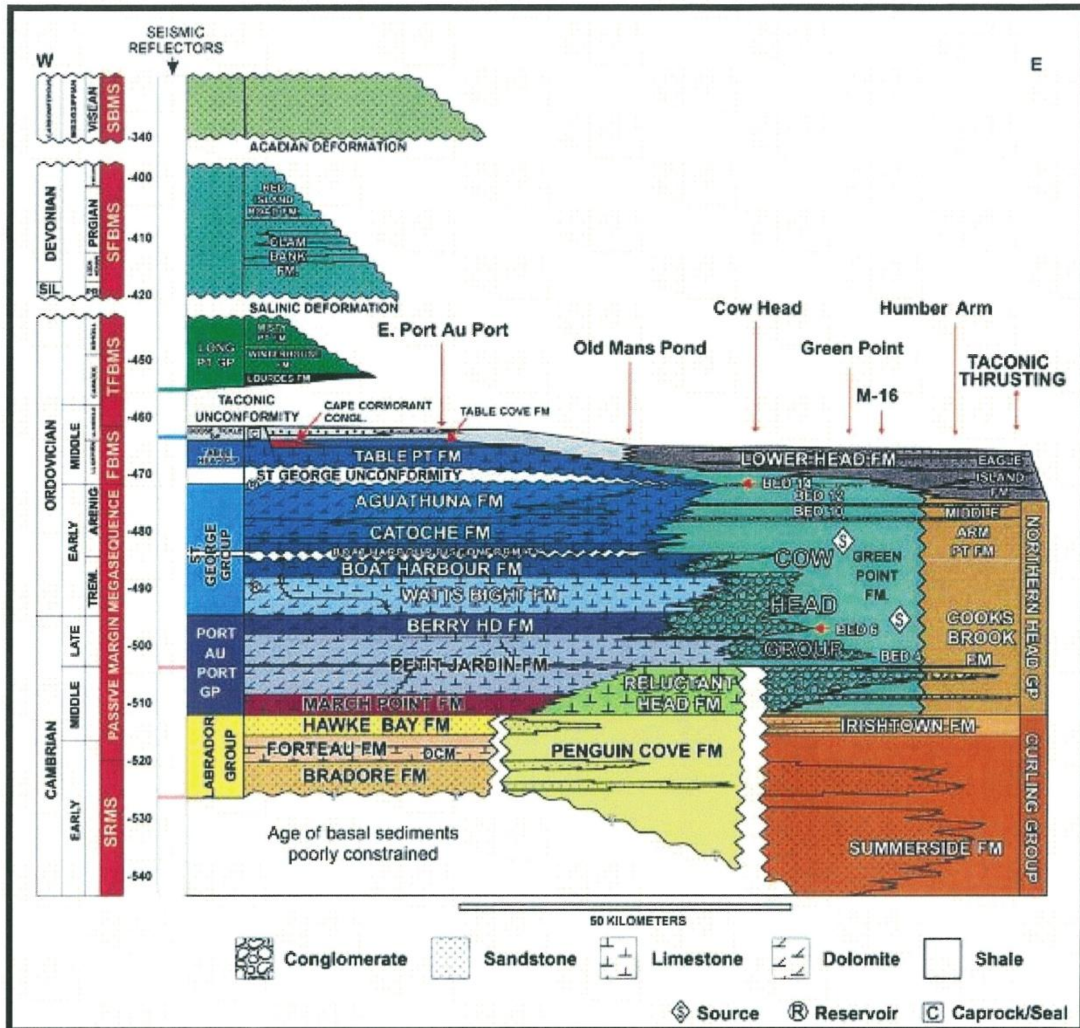
Legend

- abc Well
- Farmout Lands
- Exploration Licenses

ajm Deloitte.

Shoal Point Energy Ltd.
West Coast Newfoundland
Farmout Lands

By : laj	Scale = 1:250,000	Date : 2012/05/01
Project : spe fmolnd		
Source : Shoal Point Energy		



ajm **Deloitte.**

Shoal Point Energy Ltd.
Anticosti Basin, Newfoundland
Stratigraphic Chart
West Newfoundland

By : NWest		Date : 2012/05/01
Project : hmbr arm alcthn		
Source : "G&G Interpretation report", January 2010		

Image source: Birne, David J., "G&G Interpretation Report", January 2010; Cooper et al., 2001; Pg. 19

USE OF PROCEEDS

Proceeds

The net proceeds to the Corporation from the Offering, after deducting the anticipated Agent's Commission (assuming no investors to this Offering pursuant to the President's List), are estimated to be $8,370,000 if the Minimum Offering is sold and $23,250,000 if the Maximum Offering is sold ($26,737,500 in the event the Over-Allotment Option is fully exercised).

The total funds available to the Corporation at the close of the Offering are estimated to be as follows:

	Minimum Offering	**Maximum Offering**
Net Proceeds[(1)]	$8,370,000	$23,250,000
Less Estimated Expenses of the Offering	$●	$●
Plus Existing Working Capital[(2)]	$●	$●
Total Funds Available	$●	$●

Notes:

(1) *Gross proceeds of $● if the Minimum Offering is sold and $● if the Offering is fully subscribed less the Agent's Commission of 7% (without giving effect to investors pursuant to the President's List and the exercise of the Over-Allotment Option). This excludes the proceeds to the Corporation from: the issuance of any Common Shares that may be issued upon exercise of the Warrants; the issuance of any Common Shares or Units that may be issued upon exercise of any Agent's Options; any Common Shares that may be issued upon exercise of the outstanding stock options and outstanding Warrants of the Corporation;*

(2) *Reflects the Corporation's estimated working capital balance as at ●, 2012.*

Principal Purposes

The proposed use of the Corporation's total funds available for allocation is anticipated to be as follows:

Use of Available Funds[(1)]	**Minimum Offering**	**Maximum Offering**[(2)]
Accounts Payable	$2,500,000	$2,500,000
Operating Capital for 12 months[(3)]	$2,500,000	$2,500,000
Drilling	$2,000,000	$2,000,000
Fracking	$2,000,000	$2,000,000
Drilling on EL#1120	--	$8,000,000
Drilling on EL#1097R	--	$8,000,000
TOTAL	**$9,000,000**	**$25,000,000**

Notes:

(1) Upon completion of the Offering, the Corporation intends to spend the funds available to it to carry out certain proposed exploration programs set forth in this table and further described under the heading "Use of Proceeds". However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. ***The Corporation may redirect funds to other properties or activities, but will only do so upon the basis of a written recommendation from an independent professional geologist or engineer****. If the Corporation does make a reallocation of funds, it will continue to ensure that it expends funds equal to 100% of the gross proceeds derived from the sale of Flow-Through Shares on Qualifying Expenditures.*

(2) Does not include issuance of any Flow-Through Shares or Units pursuant to an exercise of the Over-Allotment Option.

(3) This includes estimated general and administrative expenses of the Corporation for a period of 12 months from completion of the Offering. Management of the Corporation believes that the Corporation's working capital available to fund ongoing operations, assuming the Offering is completed, will be sufficient to meet its general and administrative costs for 12 months.

Due to the nature of the oil and gas industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities that may become available to the Corporation. In addition, the ability of the Corporation to carry out operations will depend upon the decisions of other working interest owners in its properties. Accordingly, while the Corporation anticipates that it will have the ability to spend the funds available to it as stated in this Prospectus, there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent.

An amount equal to the gross proceeds from the sale of the Flow-Through Shares will be used to incur Qualifying Expenditures which will be renounced in favour of subscribers for Flow-Through Shares so as to entitle them to deduct the Qualifying Expenditures for income tax purposes. See "*Use of Proceeds*" and "*Canadian Income Tax Considerations*"

The Corporation estimates general administrative expenses totalling $● for the twelve month period following the date of this Prospectus based on the Minimum Offering, as follows:

Type of Expense	**$**
Salaries and benefits	$●
Office rent and associated costs	$●
Office supplies	$●
Travel	$●
Professional fees	$●
Amortization	$ -
Other	$●
TOTAL:	**$●**

DIVIDENDS OR DISTRIBUTIONS

No dividends on the Common Shares have been paid to date. The Corporation anticipates that for the foreseeable future it will retain future earnings and other cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the board of directors after taking into account many factors, including the Corporation's operating results, financial condition, and current and anticipated cash needs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of management of the Corporation of results of operations and liquidity and financial condition of the Corporation for the year ended January 31, 2012 and the three-month period ended April 30, 2012 and should be read in conjunction with the audited balance sheet as at January 31, 2012 and the unaudited balance sheet as at April 30, 2012 and the notes relating thereto, which statements have been prepared in accordance with International Financial Reporting Standards. See *"Financial Statements"*. Events described elsewhere in this prospectus have not been included in the discussion below.

Except for statements of historical fact relating to the Corporation, certain information contained in the below MD&A disclosure 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 Corporation'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 Corporation.

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 Corporation to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to:

• The Corporation’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 Corporation’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 Corporation 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 Corporation does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

For The Three Months Ended April 30, 2012

The following Management Discussion and Analysis of Shoal Point Energy Ltd. (the “Corporation”) is prepared as of June 26, 2012 and should be read in conjunction with the unaudited interim consolidated financial statements for three months ended April 30, 2012. The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”).

Exploration Activities and Outlook

During fiscal 2012, the Corporation and partner 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.

The Corporation has planned a testing program over four prospective zones.

To date, the Corporation has omitted DST#1 because of stuck drill pipe in that section of the hole, but has completed testing operations on two test intervals as follows;

DST #2: The first test, designated "DST #2", was designed by the Corporation'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 Corporation 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 Corporation 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.

The Corporation 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 Corporation 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, the Corporation concluded the Farm-In Agreement with respect to EL#1120 in western Newfoundland, as originally announced in a Letter of Intent on February 10, 2011. Under the terms of the Farm-in Agreement, the Corporation will have the right to earn into the "Shallow Rights" within a certain area of EL#1120 ("Farm-out 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 the Corporation has completed the earning requirements by making the aforementioned payments, and by

drilling the test well, the Corporation will earn a 80% working interest in the "Shallow Rights" within the "Farm-out Lands", with PEI retaining a 20% working interest therein.

In October 2011 the Corporation has increased its interest in 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 EL#1120 pursuant to the Farm-In Agreement which was announced in a press release dated April 13, 2011. Prior to this purchase, the Corporation was only earning up to a 48% interest in EL#1120. In addition, the Corporation has acquired CIVC's interest in the AMI Agreement which governed numerous exploration lands in Western Newfoundland.

The consideration paid to CIVC includes 20,000,000 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, the Corporation paid $300,000 on closing and agreed to pay an additional $200,000 six months after the closing. the Corporation 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 the Corporation 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 #1097R

In January 2012, the Corporation agreed to a transaction with NWest to acquire up to a 100% undivided working legal and beneficial interest in and to EL#1097R (see note 10 to the interim consolidated financial statements). The First Transfer was completed during fiscal 2012. The Second Transfer was executed during the three months ended April 30, 2012. The Second Transfer was for 1,000,000 shares of the Corporation to NWest and 1,000,000 common share purchase warrants, where each warrant entitles the holder to acquire one Common Share of the Corporation 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 Corporation spuds a well on the property, the Corporation 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 Corporation having the right to purchase 0.75% of the royalty for $2,000,000 at any time.

Resource Evaluation

EL #1070, #1120 and #1097R

During the period ended April 30, 2012, the Corporation received a Resource Evaluation from AJM Deloitte of Calgary for Exploration Licenses 1070, 1120, and 1097R, offshore western Newfoundland. The report is dated May 1, 2012 with an effective date of March 31, 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.

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 – Place			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 Resources			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 Corporation's interests currently include approximately 91% by surface area.

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

The Corporation 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 Corporation 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 the Corporation 2K39 well and Long Point M-16 well, which returned values of 380 MMBOE/section, and 930 MMBO/section, respectively

Overall Performance

As at April 30, 2012 the Corporation's cash position increased slightly to $964,747 from $857,656 at the January 31, 2012 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 Corporation will continue to focus on financing the oil and gas exploration program and maintenance of its interest in the three licensed properties.

Cash financing during the period consisted of:

(a) Unit financing for gross proceeds of $7,000,000;
(b) Exercise of 646,559 warrants for proceeds of $115,449: and
(c) Exercise of 200,000 options for proceeds of $50,000

Selected Financial Information

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

For the three months ended April 30,	**2012**	**2011**
Net loss and comprehensive loss for the period	($586,275)	($373,123)
Basic and fully diluted earnings (loss) per share	($0.00)	(0.00)
As at:	**April 30, 2012**	**January 31, 2012**
Assets	$39,420,083	$31,327,063
Liabilities	$4,214,827	$2,416,990

Results of Operations

During the three months ended April 30, 2012, the Corporation recorded a net loss and comprehensive loss of $586,275 compared to a net loss and comprehensive loss of $373,123 for the three months ended April 30, 2011. The higher net loss and comprehensive loss for the three months ended April 30, 2012 was primarily attributable to higher office, general and administrative costs, management fees and professional fees, compared to the three months period ended April 30, 2011.

For the three months ended April 30, major expenses consisted of

	April 30, 2012	**April 30, 2011**
Office, general and administrative	$221,835	$92,169
Management fees	$120,000	$46,000
Consulting fees	$106,437	$134,418
Stock-based compensation	$17,571	$70,282
Professional fees	$102,693	$15,890

The increase in office, general and administrative was as a result of the opening of a new Newfoundland office, which saw telecommunication expense and office supplies increase by $11,341. In addition, the Corporation spent $13,500 for advertising to raise awareness in the investor community. Also, travel costs increased by $37,846 in the three month period ended April 30, 2012 as consultants and directors increased their site visits to review exploration progress. Furthermore, 2012 project administration increased by approximately $54,300 as a result of increased utilization of a consultant in the three month period ended April 30, 2012.

The increase in management fees for the three month period ended April 30, 2012 reflects the increase in the scale of activities for the Corporation including financing and project management.

The stock-based compensation for the three month period ending April 30, 2012 was $17,571 for options that vested during the period.

The increase in professional fees was a result of increased audit fees, as well as higher legal fees in connection with the #EL1070 interest sale.

Overall, total expenses in fiscal 2012 were higher in 2012 going to $608,765 versus $373,919 in 2011.

Summary of Quarterly Results

Quarterly Financial Information (unaudited)					
For the three months ended	**April 30, 2012**	**January 31, 2012**	**October 31, 2011**	**July 31, 2011**	**April 30, 2011**
Net Income (loss) (in thousands)	$(586)	$(98)	$(775)	$(639)	$(373)
Net Income (loss) per share (Basic & Fully Diluted)	$(0.00)	$(0.00)	$(0.00)	$(0.00)	$(0.00)
Total Assets (in thousands)	$39,420	$31,327	$25,990	$19,834	$20,234
Shareholders'equity (in thousands)	$35,205	$28,910	$23,936	$18,817	$16,956

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

Recent accounting pronouncements

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 Corporation's annual year end beginning January 1, 2015. The Corporation 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 Corporation 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 Corporation 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 Corporation 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

As at April 30, 2012, the Corporation had cash of $964,747, accounts receivable of $1,030,160 comprised largely of HST receivable of $1,014,744, interest-bearing loans receivable of $309,234 and prepaid expenses of $2,612,487, consisting primarily of exploration and property deposits giving total current assets of $4,916,628. Current liabilities totaled $4,214,827 leaving working capital of $701,801. However, ongoing oil and natural gas exploration expenditures will ultimately exhaust the resources of the Corporation and it will be necessary for the Corporation to raise capital in the future to finance its planned exploration activities.

Capital Resources

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

As at April 30, 2012, the Corporation’s the shareholders` equity was $35,205,256 (January 31, 2012 - $28,910,073). At April 30, 2012, the common shares issued and outstanding were 264,730,102 (January 31, 2012 – 240,240,750) and there were 99,539,039 warrants (January 31, 2012 – 86,993,035) exercisable at varying prices (see note 11(c) of the interim consolidated financial statements).

The Corporation’s share capital was $50,625,949 (January 31, 2012 - $45,099,943) and the deficit was $26,598,580 (January 31, 2012- $26,012,305) as at April 30, 2012.

Off-Balance Sheet Transactions

The Corporation has no off balance sheet transactions.

Commitments and Contingencies

As part of the Corporation's acquisition of CIVC's interest in the Green Point oil-in-shale, the Corporation has provided for $200,000 for well suspension costs expected to be incurred in fiscal 2013 with respect to the Corporation`s 3K-39 oil well located on the areas covered by EL 1070..

During fiscal 2012, the Corporation agreed to a transaction with NWest to acquire up to a 100% undivided working legal and beneficial interest in and to EL #1097R (see note 11). The First Transfer was completed during fiscal 2012. The Second Transfer occurred during the period ended April 30, 2012. The Second Transfer was for 1,000,000 Common Shares of the Corporation to NWest and 1,000,000 common share purchase warrants, where each warrant entitles the holder to acquire one Common Share of the Corporation 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 Corporation spuds a well on the property, the Corporation 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 Corporation having the right to purchase 0.75% of the royalty for $2,000,000 at any time. A well must be spudded on the property by January 15, 2013, with an extension given to January 15, 2014 if a further $1,000,000 property deposit is made to the Canada-Newfoundland and Labrador Petroleum Board.

In order to earn its working interest of 80% in EL #1120 Shallow Rights pursuant to the Farm-In Agreement, the Corporation 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 Corporation spuds the well, the Corporation 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 April 30, 2012 are $113,686 payable within one year and $405,212 payable after one year but not more than five years.

The Corporation 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 Corporation and paid for at rates representative of fair market value.

During the three month period ended April 30, 2012, the Corporation paid management fees included in management fees expense of $120,000 (2011- $46,010) and consulting fees included in consulting fees expense of $32,250 (2011- $30,000) to corporations which have common officers and directors as the Corporation, directors of the Corporation, as well as corporations with common significant shareholders.

Included in accounts payable and accrued liabilities is $9,424 (January 31, 2012- $36,189) to directors and companies with common directors as a result of consulting fees payable.

Included in rental income is $14,400 (2011- $nil) in rent charged to companies with common directors as the Corporation.

Included in loans receivable is $264,000 (January 31, 2012-$264,000) from corporations which have common officers and directors as the Corporation, and directors and officers of the Corporation.

Included in prepaid expenses and deposits is $10,000 (January 31, 2012 - $10,000) of funds advanced to an officer and director of the Corporation.

Private Placements

In February 2012, the Corporation completed two financings to raise a total of $7,000,000. The first financing was for $1 million for which the Corporation 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 Common Share at a price of $0.30 for 18 months. In connection with this financing, the Corporation 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, the Corporation paid cash commissions of $357,003 and issued 1,081,444 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.

Outstanding Share Data

For additional detail, see Note 11 of the interim consolidated financial statements.

	Number Issued and Outstanding April 30, 2012	**Number Issued and Outstanding January 31, 2012**
Common Shares issued and outstanding	264,730,102	240,240,750
Options to purchase Common Shares	16,375,000	16,575,000
Warrants to purchase Common shares	99,539,039	86,993,035

Events after Reporting Period

On May 1, 2012, the Corporation granted 2,550,000 stock options with an exercise price of $0.40 per a common share to consultants of the Corporation; 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.

In May 2012, the Corporation completed two financings to raise a total of $1,114,000. The first financing included the issuance of 7,142,860 units at $0.14 per unit, where each unit was comprised of one Common Share and one-half warrant where a full warrant entitles the holder to acquire one additional share at a price of $0.20 for a period of 18 months from the date of issuance. The balance of this financing consisted of the issuance of 625,000 flow-through units at $0.16 per a flow-through unit, where each flow-through unit was comprised of one flow-through Common Share and one-half warrant where a full warrant entitles the holder to acquire one additional Common Share at a price of $0.20 for a period of 18 months from the date of issuance. The second financing consisted of the issuance of 100,000 flow-through units at $0.14 per a flow-through unit, where each flow-through unit was comprised of one flow-through Common Share and one-half warrant where a full warrant entitles the holder to acquire one additional Common Share at a price of $0.20 for a period of 18 months from the date of issuance. In connection with these financings, the Corporation paid cash commissions of $99,999 and issued 466,072 broker warrants where each broker warrant entitles the holder to acquire one additional Common Share at a price of $0.14 for a period of 18 months from the date of issuance.

Risks and Uncertainties

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

The property interests that the Corporation 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 Corporation's properties may not result in any discoveries of commercial bodies of resources. If the Corporation's efforts do not result in any discovery of commercial resources, the Corporation will be forced to look for other exploration projects or cease operations.

The Corporation 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 Corporation 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 Corporation. 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 Corporation does not enter into price hedging programs.

The Corporation 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 Corporation'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 Corporation's operations. Environmental hazards may exist on the properties on which the Corporation holds interests, which are unknown to the Corporation at present and which may have been caused by previous or existing owners or operators of the properties. The Corporation 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 Corporation's operations. To the extent such approvals are required and not obtained; the Corporation 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 Corporation 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 Corporation's knowledge, there are no liabilities to date which relate to environment risks or hazards.

Critical Accounting Estimates

The preparation of the Corporation'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 Corporation 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 Corporation 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 Corporation's internal controls over financial reporting. There have been no significant changes to the Corporation's disclosure controls and procedures and internal controls over financial reporting that occurred during the period ended April 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Corporation'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 Corporation'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 April 30, 2012.

Other MD&A Requirements

Additional Information

Additional information relating to the Corporation's MD&A for the three-month period ended April 30, 2012 may be obtained or viewed on SEDAR at www.sedar.com.

Share Capital

Authorized: Unlimited number of common shares and special shares

See *"Outstanding Share Data"* chart above for complete numbers.

January 31, 2012

The following Management Discussion and Analysis of Shoal Point Energy Ltd. (the "Corporation") 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").

Exploration Activities and Outlook

During fiscal 2012, the Corporation and partner 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 Corporation 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 Corporation 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 EL#1120

In April 2011, the Corporation concluded Farm-In Agreement, with respect to EL#1120 in western Newfoundland, as originally announced in a letter of intent on February 10, 2011. Under the terms of the Farm-in Agreement, the Corporation will have the right to earn into the "Shallow Rights" within a certain area of EL #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 the Corporation 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 the Corporation has increased its interest in 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 EL #1120 pursuant to the Farm-In Agreement which was announced in a press release dated April 13, 2011. Prior to this purchase, the Corporation was only earning up to a 48% interest in EL#1120. In addition, the Corporation has acquired CIVC's interest in the AMI 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, the Corporation paid $300,000 on closing and agreed to pay an additional $200,000 six months after the closing. the Corporation 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 the Corporation for cancellation. As the final payment was made in February 2012, the shares were released to the Corporation and cancelled. 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 Corporation agreed to a transaction with 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 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 Common Shares of the Corporation to NWest and 1,000,000 common share purchase warrants, where each warrant entitles the holder to acquire one Common Share of the Corporation 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 Corporation spuds a well on the property, the Corporation 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 Corporation 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 Corporation received a Resource Evaluation from AJM Deloitte of Calgary for Exploration Licenses 1070, 1120, and 1097R, offshore western Newfoundland (the "**Technical Report**"). The report is dated May 1, 2012 with an effective date of March 31, 2012 and evaluates resources of the Green Point Formation within the Humber Arm Allochthon structural unit. The Technical 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 Corporation 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 – Place			**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 Corporation's interests currently include approximately 91% by surface area.

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

DST #2: The first test, designated "DST #2", was designed by the Corporation`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 Corporation 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 Corporation 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 Corporation 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 Corporation emphasizes that these data represent averagevalues 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 the Corporation 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 Corporation'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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation was private and reporting quarterly earnings was not required.

Changes in Accounting Policies

The Corporation'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 Corporation 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 Corporation 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 Corporation's opening IFRS statements of financial position as at the transition date are consistent with those that were made under Canadian GAAP.

The Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation elected to apply IFRS 3 prospectively, the Corporation 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 Corporation'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 Corporation 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 Corporation has changed certain accounting policies to be consistent with IFRS effective or available for adoption on January 31, 2012, the Corporation'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 Corporation'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 Corporation'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 Corporation's credit adjusted risk free rate. The Corporation'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 Corporation. Under IFRS, the Corporation uses an estimate of forfeitures based on historical trends experienced by the Corporation. 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 Corporation'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 Corporation 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 Corporation would record the gross proceeds relating to flow-through shares to share capital at the time of issuance. The Corporation 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 Corporation 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 Corporation'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 Corporation 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 Corporation 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 Corporation's annual year end beginning January 1, 2015. The Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation. Accordingly, subsequent to the yearend, the Corporation raised the following funds:

In February 2012, the Corporation completed two financings to raise a total of $7,000,000. The first financing was for $1 million for which the Corporation 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, the Corporation 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, the Corporation paid cash commissions of $357,003 and issued 1,081,444 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 Corporation relies primarily on equity financing to fund its working capital needs. The Corporation anticipates seeking a capital infusion from private investors to continue to fund exploration and corporate administrative activities. As at January 31, 2012, the Corporation'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 Corporation 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 Corporation's deficit was $26,012,305 as at January 31, 2012 (January 31, 2011- $24,126,541).

Off-Balance Sheet Transactions

The Corporation has no off balance sheet transactions.

Commitments and Contingencies

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

During the year, the Corporation agreed to a transaction with NWest to acquire up to a 100% undivided working legal and beneficial interest in and to EL#1097R (see note 11). The First Transfer was completed during fiscal 2012. 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 Common Shares of the Corporation to NWest and 1,000,000 common share purchase warrants, where each warrant entitles the holder to acquire one Common Share of the Corporation 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 Corporation spuds a well on the property, the Corporation 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 Corporation 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, the Corporation 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 Corporation spuds the well, the Corporation 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 Corporation 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 Corporation and paid for at rates representative of fair market value.

During the year the Corporation 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 Corporation, directors of the Corporation, 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 Corporation.

Included in loans receivable is $264,000 (2011-$nil) from corporations which have common officers and directors as the Corporation, and directors and officers of the Corporation. 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 Corporation.

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

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

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

Outstanding Share Data

	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

Risks and Uncertainties

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

The property interests that the Corporation 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 Corporation's properties may not result in any discoveries of commercial bodies of resources. If the Corporation's efforts do not result in any discovery of commercial resources, the Corporation will be forced to look for other exploration projects or cease operations.

The Corporation 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 Corporation 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 Corporation. 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 Corporation does not enter into price hedging programs.

The Corporation 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 Corporation'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 Corporation's operations. Environmental hazards may exist on the properties on which the Corporation holds interests, which are unknown to the Corporation at present and which may have been caused by previous or existing owners or operators of the properties. The Corporation 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 Corporation's operations. To the extent such approvals are required and not obtained; the Corporation 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 Corporation 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 Corporation's knowledge, there are no liabilities to date which relate to environment risks or hazards.

Critical Accounting Estimates

The preparation of the Corporation'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 sharebased 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 Corporation 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 Corporation 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 Corporation's internal controls over financial reporting. There have been no significant changes to the Corporation'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 Corporation'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 Corporation'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.

Other MD&A Requirements

(a) Additional Information

Additional information relating to the Corporation may be obtained or viewed from the System for Electronic Data Analysis and Retrieval at www.sedar.com.

(b) Share Capital

Authorized: Unlimited number of common shares and special shares

See *"Outstanding Share Data"* chart above for complete numbers.

<u>January 31, 2011</u>

The following Management Discussion and Analysis of Shoal Point Energy Ltd. (formerly Allied Northern Capital Corporation.) (the "Corporation") should be read in conjunction with the Audited Consolidated Financial Statements for year ended January 31, 2010 and January 31, 2011. The results herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

Operations

During 2011 SPE and partner CIVC commenced drilling the 3K-39 well. This was designed to "twin" the 2008 2k39 well which was limited in it's 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 is preparing to run production casing. 51 metres of full-diameter core, spread over 5 intervals representative of all depths in the well, were collected. This core has been shipped to Houston for advanced imaging and petrologic studies. 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.

The Corporation 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 Corporation also continues to prepare an application for a significant discovery license on EL 1070, its principal property, where 150,000 acres are considered prospective.

Overall Performance

During the year ended January 31, 2011, the Corporation recorded a net loss of $3,466,937 ($0.04) per common share compared to a net loss of $4,816,012 ($0.08) per common share for the year ended January 31, 2010. During the year ended January 31, 2011 and 2010, the Corporation recorded no revenues from operations.

There was interest expense for the year ending January 31, 2011 of $806,591 (January 31, 2010 - $360,674, management fees of $249,015 (January 31, 2010 - $420,000), Legal and accounting fees for the

year end ending January 31, 2011 of $244,811 (January 31, 2010 - $953,199, office, general and administrative expenses for the year ending January 31, 2011 of $225,108 (January 31, 2010 - $95,630) stock-based compensation of $1,299,940 for the year ending January 31, 2011 (January 31, 2010 - $204,038), consulting fees of $444,908 for the year ended January 31, 2011 (January 31, 2010 - $16,175)

During 2011, general and administrative expenses, legal and accounting fees and consulting fees included significant expenses related to transitioning the Corporation into a public entity, including a failed Reverse Take Over ("RTO") and a minority shareholders dissenting opinion on certain matters, along with the planning and early operation of Well 3K-39. In the lead up to the going public transaction all options were cancelled with new ones issued leading to a significant stock based compensation for the year.

On November 9, 2010 the Corporation completed a reverse take-over transaction. In conjunction with this transaction the Corporation's common shares were approved for listing on the CNSX completing the transition of the Corporation from a private company to a public company. The Corporation's shares began trading on the CNSX on November 23, 2010 under the symbol SHP.

In connection with the reverse takeover, a transaction was completed immediately prior to the transaction when the Corporation 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 purchase warrants. Each common purchase warrants entities the holder to purchase one common share for $0.28 for two years. In addition to the cash commission $465,304, agents received 1,798,247 broker warrants. Each purchase warrant entitles the holder to purchase one common share for $0.28 for two years.

Selected Annual Information

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

For the years ended January 31	**2011**	**2010**
Net (loss) earnings for the year	($3,466,937)	($4,816,012)
Net (loss) earnings per share	($0.08)	(0.04)
Assets	$8,953,883	$75,897
Liabilities	$1,093,259	$2,690,109

Results of Operations

January 31, 2011

The net loss for the year ended January 31, 2010 was $3,466,937 compared to net loss of $4,816,012 in the prior year. During the prior year, the Corporation wrote down oil and gas properties of $2,527,589. The loss per share for 2011 was ($0.04) and loss per share for 2010 was ($0.08).

Summary of Quarterly Results

The prior periods of the Corporation was when the Corporation was not a reporting issuer and the Corporation did not prepare financial statements for those quarters.

Liquidity

The Corporation has cash of $430,516 and other current assets to continue to operate during the current year. However ongoing well costs expenses will ultimately exhaust the resources of the Corporation. Accordingly, subsequent to the year end, the Corporation raised the following funds:

- Three tranches of financing totaling $5,997,450 comprised of 13,531,570 common share units at $0.35, where each unit includes a common share at $0.35 and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at a price of $0.50 for 18 months. The balance of this financing consisted of 3.15 million flow-through units, where each unit comprises a flow-through common share at $0.40 and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at $0.55 for 18 months. In connection with the total financing of $5,997,450 the Corporation is paying cash fees totaling $117,147 to registered agents and issuing 393,634 broker warrants. Each broker warrant will entitle the holder to acquire an additional common share at a price of $0.35 for a period of 18 months.

- Raised $3,723,650 issuing 6,400,610 units at $0.45 whereby each unit included one common share and one-half common share purchase warrant where a full warrant entitles the holder to purchase one additional common share at a price of $0.60 for an 18 month period. In addition, 1,450,000 flow through units were issued at a price of $0.50 and each flow through unit was comprised of one common share and one half common share purchase warrant, where a full warrant entitles the holder to purchase one additional common share at a price of $0.60 for an 18-month period. In connection with this financing, the Corporation paid commissions to registered agents. The cash fees of 6 per cent totaled $195,519, and in addition, the broker warrants of 6 per cent totaled 422,820 broker warrants. The broker warrants entitle the holders to acquire one additional common share at a price of $0.45 for a period of 18 months.

- The Corporation also borrowed $2.2-million from an arm's-length lender on April 29, 2011. These funds have been used as security in connection with logging of the 3K-39 well. In connection with this transaction, the Corporation issued a $2.2-million secured promissory note to the lender and granted the lender a security interest over its assets. The lender will receive one million common share purchase warrants of the Corporation, where each warrant entitles the holder to acquire a common share in the Corporation for a period of two years from the date of issuance at an exercise price of $0.50. With the completion of the private placement financing, the Corporation has now fully repaid the loan, and the promissory note and security interest have been cancelled.

Capital Resources

The Corporation has a commitment for finishing Well 3K-39. The Corporation also has a property deposit on an interest bearing guaranteed investment certificate that secures a letter of guarantee in an amount of $1,000,000 with the Canada- Newfoundland and Labrador Offshore Petroleum Board.

Off-Balance Sheet Transactions

The Corporation has no off balance sheet transactions.

Private Placements

On November 9, 2010, the Corporation issued 27,932,881 units totaling $6,145,234, where each unit includes a common share and a one common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at a price of $0.28 for two years. The Corporation 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.

Critical Accounting Policies and Estimates Measurement uncertainty

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles 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.

Future Accounting Changes

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA adopted sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non Controlling Interest which superseded current sections 1581 Business Combinations and 1600 Consolidated Financial Statements. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to International Financial Reporting Standards ("IFRS").

Recent accounting pronouncement issued and not yet applied.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date for interim and annual financial statements relates to fiscal years beginning on or after January 1, 2011. The Corporation's changeover date will be December 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed.

Status of Transition to International Financial reporting Standards (IFRS)

On February 13, 2009, the CICA Accounting Standards Board (AcSB) confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual

financial statements effective for fiscal years beginning on or after January 1, 2011, including comparatives for 2010. The objective is to improve financial reporting by having one single set of accounting standards that are comparable with other entities on an international basis.

The Corporation commenced its IFRS conversion project during 2010 and established a project governance structure, to monitor the progress and critical decisions in the transition to IFRS. An external consultant was engaged to work with the Corporation's designated project staff. Regular reporting by senior financial management has been provided to the Audit Committee of the Board of Directors. The external auditors have also been consulted throughout the process.

The Corporation's conversion project will be completed in four phases: preliminary study, evaluation, development, and implementation. To date, the project is progressing according to plan. During 2010 the Corporation completed the preliminary study phase of the project which involved a high level review of the major differences between current Canadian GAAP and IFRS as related to the Corporation's accounting policies. During 2009 the Corporation provided formalized training for senior management as a second part of its overall executive training program.

During 2010 the Corporation completed a preliminary in-depth review of its accounting policies and the impact from adopting IFRS, as well as the associated impact of the IFRS transition on business activities. As a result, IFRS-compliant accounting policies were developed by the Corporation, subject to future changes or revisions that may be needed as a result of updates to the IFRS standards as determined by the International Accounting Standard Board ("IASB") and the Accounting Standards Board (Canada). These IFRS-compliant accounting policies will be presented and discussed with management and the Audit Committee of the Board of Directors.

As of January 31, 2011, the Corporation had substantially completed the evaluation and development phases of its IFRS conversion project. The following areas have been identified where the accounting differences, including presentation and disclosures, between Canadian GAAP and existing IFRS may have an impact on the Corporation's financial statements. The accounting differences described below should not be regarded as a complete list of areas that may be impacted by the transition to IFRS. Analysis of accounting policies has substantially been completed, but may be subject to changes as the Corporation completes the implementation phase of the project, and where IFRS standards are likely to change.

The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Corporation's accounting policies on adoption of IFRS. At the present time however, the Corporation is not aware of any significant expected changes that would affect the summary provided below. As an update to our previously filed annual and quarterly MD&As, the following provides a summary of the Corporation's evaluation of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS.

Oil and natural gas properties

The practice of full cost accounting treatment under IFRS is limited to exploration and evaluation activities through IFRS 6, *Exploration for and Evaluation of Mineral Resources.* An alternative would be successful efforts method of accounting, where costs incurred in finding, acquiring and developing reserves are capitalized on a field-by-field basis, depending on the nature of operations. Upon discovery of a commercially viable (or proven) reserve, the capitalized costs can be allocated to the discovery. In the event that such a discovery is not achieved, the expenditure is charged to expense.

The IASB has an extractive industries project underway and based on discussions to date, it appears that full cost accounting model may not be supported.

The Corporation is in the process of evaluating the appropriate accounting treatment to be used, upon transition to IFRS.

The Corporation will continue to use the cost model for its oil and natural gas properties and other items of property and equipment, and not apply the revaluation model available under IFRS.

Impairment of Assets

The Corporation is currently in the process of evaluating whether there would be any asset impairment at the transition date under IFRS. In assessing whether there is any indication that an asset may be impaired, an impairment test should be performed; consideration would be given to the external and internal sources of information, as prescribed by IAS 36, *Impairment of Assets*. Impairment under IFRS is recognized if the carrying amount exceeds the higher of fair value less cost to sell, or value in use. The Corporation is evaluating the appropriate cash generating unit to use for testing purposes.

Share Based Payments

Under IFRS, each vesting group of stock options is treated as a distinct award / tranche and the value would be measured and recorded over the respective vesting period. Additionally, an estimate of expected forfeitures would be required when determining the amount of expense to be recorded for the unvested portion as at transition date, as well as going forward.

The Corporation is currently in the process of reviewing any stock options that remain unvested at February 1, 2011, and adjust the recording of the expense based on the IFRS requirement.

Income taxes

IFRS requires the recognition of deferred taxes in certain situations not required under Canadian GAAP. Specifically, a deferred tax liability (asset) is recognized for exchange gains and losses relating to foreign non-monetary assets and liabilities that are re-measured into the functional currency using historical exchange rates. Similar timing differences are also recognized for the difference in tax bases between jurisdictions as a result of intra-group transfer of assets.

In relation to flow-through shares, Canadian GAAP currently includes guidance on accounting for these securities in Section 3465, *Income Taxes*, and EIC-146, *Flow-through Shares.* On transition to IFRS, this guidance will be withdrawn. IFRS does not specifically address the accounting for flow-through shares or the related tax consequences arising from such transactions. However, recent CICA discussions and recommendations have concluded that an issuer of flow-through shares would need to assess first what had been issued, because the investor receives both an equity interest and a right to a stream of tax deductions. There is an element of a compound financial instrument, which would need bifurcation between equity and discussed in detail in section 7. The Corporation is in the process of reviewing the Policy choices available to the Corporation with respect to the deferred tax impact and the actual renouncement of exploration expenditures to investors.

Joint interest

Management will need to evaluate whether the arrangement relating to the portion of its oil and natural gas exploration and production activities conducted through joint interests would be classified as jointly controlled operation, jointly controlled asset, or jointly controlled entity under IFRS.

Additionally, the Corporation will need to decide on continuing the proportionate consolidation method, or adopt the equity method of accounting for the joint interest.

Presentation of Financial Statements

The conversion to IFRS will impact the way the Corporation presents its financial results. The first financial statements prepared using IFRS (i.e. interim financial statements for the three months ended April 30, 2011) will include numerous notes disclosing extensive transitional information with continuity reconciliations and full disclosure of all new IFRS accounting policies.

The Corporation does not expect substantial changes on the presentation of expenses whether by nature or by function on the face of the consolidated statement of loss.

IFRS 1, First Time Adoption of IFRS

Deemed cost

Upon transition, the Corporation will not elect to measure oil and natural gas properties and other items of property and equipment at their deemed cost equivalent to fair value as at February 1, 2011 or revalue amounts previously determined under Canadian GAAP. Accordingly, it will use the carrying values as the IFRS balances as at February 1, 2011.

Share-based payments

IFRS 1 provides an exemption that allows entities not to apply IFRS 2, *Share-based Payment* to options granted before November 2002, as well as to options granted after November 2002, but vested prior to transition. The Corporation has elected to take this exemption.

Business Combinations

The Corporation expects to apply the business combination exception in IFRS 1 and as such not apply IFRS 3 retrospectively to business combinations that took place prior to the date of transition.

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer have evaluated the Corporation's disclosure controls and disclosures and concluded such controls and procedures are effective.

Other MD&A Requirements

(a) Additional Information

Additional information relating to the Corporation may be obtained or viewed from the System for Electronic Data Analysis and Retrieval at www.sedar.com.

(b) Share Capital

Authorized: an unlimited number or common shares and special shares

	Number Issued and Outstanding January 31, 2011
Common Shares issued and outstanding	139,183,497
Options to purchase Common Shares	12,725,000
Warrants to purchase Common Shares	43,415,579

Additional Disclosure relating to MD&A

Expenses	**Three-month period ended April 30, 2012 (unaudited)**	**January 31, 2012 (audited)**	**January 31, 2011 (audited)**
Exploration and evaluation assets or expenditures	Nil	Nil	Nil -
Development Costs	Nil	Nil	Nil
Intangible assets arising from development	Nil	Nil	Nil
Consulting fees	$106,437	$877,976	$444,908
Management fees	$120,000	$285,000	$249,015
Office, general and administrative expenses	$221,835	$608,457	$336,809
Professional fees	$102,693	$315,664	$244,811
Stock-based compensation	$17,571	$442,664	$1,299,940
Any other material costs	--	--	--

SELECTED FINANCIAL DATA FOR THE CORPORATION

Selected Financial Information

The following table sets forth selected financial information of the Corporation as at the dates indicated which has been derived from, should be read in conjunction with, and is qualified in its entirety by reference to Management's Discussion and Analysis for the Corporation and the financial statements of the Corporation appearing elsewhere in this Prospectus.

	As at the three-month period ended April 30, 2012 (Unaudited)	**As at January 31, 2012 (Audited)**	**As at January 31, 2011 (Audited)**
Balance Sheet			
Assets	$39,420,083	$31,327,063	$8,953,883
Liabilities	$4,124,827	$2,416,990	$1,093,259
Shareholder's equity	$35,205,256	$28,910,073	$7,860,624
Deficit	$(26,598,580)	$(26,012,305)	$(24,126,541)
Statements of Loss and Deficit			
Interest and other income	$(22,490)	$(32,922)	$(3,346)

	As at the three-month period ended April 30, 2012 (Unaudited)	As at January 31, 2012 (Audited)	As at January 31, 2011 (Audited)
Expenses	$608,765	$2,790,864	$3,981,290
Loss and comprehensive loss for the period	$(586,275)	$(1,885,764)	$(3,963,944)

DESCRIPTION OF SECURITIES DISTRIBUTED PURSUANT TO THE OFFERING

The Offering consists of a minimum of $9,000,000 and a maximum of $25,000,000 ($28,750,000 in the event the Over-Allotment Option is exercised in full) whereby investors may acquire Flow-Through Shares or Units, or a combination thereof, at a price of $● per Flow-Through Share or $● per Unit. The Corporation, together with the Agent, have agreed that a minimum of ● Units must be sold for the Offering to be completed. The actual sales can comprise any combination of Flow-Through Shares and Units provided that the sale of the minimum number of Units is met. Each Unit will be comprised of one Common Share and one-half of one Warrant. Each whole Warrant will entitle the holder thereof to acquire one additional Common Share at any time within 18 months of the closing of the Offering at a price of $● per Common Share. The Common Shares and Warrants comprising the Units will be immediately separated upon completion of this Offering. This Prospectus qualifies the distribution of the Flow-Through Shares and the Common Shares and Warrants comprising the Units. The issuance of the Agent's Option and the grant of the Over-Allotment Option and the issuance of securities upon exercise of such options, are also qualified under this Prospectus.

Common Shares

For particulars of the Common Shares please see "*Share Capital of the Corporation – Common Shares*".

Warrants

The Warrant Indenture, setting forth the rights, terms and conditions of the Warrants will be entered into between the Corporation and Olympia, at Closing. The following is a summary only and is qualified and subject to the more detailed provisions of the Warrant Indenture.

Each whole Warrant will entitle the holder to acquire one additional Common Share at any time within 18 months of the closing of the Offering at a price of $● per Common Share.

Holders of Warrants will not as such have any voting right or other right attached to Common Shares until the Warrants are properly exercised as provided for in the Warrant Indenture. The Warrant Indenture will contain provisions designed to protect the holders of Warrants against dilution upon the occurrence of certain events. An adjustment in the number of Common Shares issuable upon exercise of the Warrants and/or the exercise price per Common Share will be made in the event of the subdivision and consolidation of the Common Shares or a stock dividend or other distribution of Common Shares or securities convertible or exchangeable into Common Shares, is made to holders of all or substantially all of the Common Shares. In addition, the Warrant Indenture will also provide for an adjustment in the class and/or number of securities issuable upon exercise of the Warrants and/or subscription price in the event of: a reclassification or other change in the Common Shares; a capital reorganization of the Corporation; or a consolidation, merger or amalgamation of the Corporation with another corporation or entity; or the transfer of all or substantially all of the assets and undertaking of the Corporation.

Flow-Through Shares

The Flow-Through Shares will be issued as "flow-through shares" within the meaning of the Tax Act. The Corporation will incur on or before December 31, 2013, and renounce to each subscriber of Flow-Through Shares effective on or before December 31, 2012, Qualifying Expenditures in an amount equal to the aggregate Flow-Through Funds paid by such subscriber. See "*Certain Canadian Federal Income Tax Considerations*".

Subscriptions for Flow-Through Shares will be made pursuant to the applicable subscription agreement to be made between the Corporation and the Agent, as agent for, on behalf of and in the name of all subscribers of Flow-Through Shares or by the subscriber and accepted by the Corporation at or prior to Closing. Subscribers who place an order to purchase Flow-Through Shares with the Agent will be deemed to have authorized the Agent to execute and deliver, on their behalf, the applicable subscription agreement.

Pursuant to the applicable subscription agreement, the Corporation will covenant and agree (i) to incur on or before December 31, 2013 and renounce to the subscriber for Flow-Through Shares effective on or before December 31, 2012, Qualifying Expenditures in an amount equal to the Flow-Through Funds paid by such subscriber for the Flow-Through Shares, and (ii) that if the Corporation does not renounce to such subscriber, effective on or before December 31, 2012, Qualifying Expenditures equal to such amount, or if there is a reduction in such amount renounced pursuant to the provisions of the Tax Act, the Corporation shall indemnify the subscriber (to the extent allowed under the Tax Act) for an amount equal to the amount of any tax payable or that may become payable under the Tax Act (and under any corresponding provincial legislation) by the subscriber as a consequence of such failure or reduction. The subscription agreements for Flow-Through Shares will contain additional representations, warranties, covenants and agreements by the Corporation in favour of the subscriber of Flow-Through Shares which are consistent with and supplement the Corporation's obligations as described in this Prospectus.

The subscription agreements for Flow-Through Shares will also provide representations, warranties and agreements of the subscriber, and by its purchase of Flow-Through Shares each subscriber of Flow-Through Shares offered hereunder will be deemed to have represented, warranted and agreed, for the benefit of the Corporation and the Agent that: (i) neither the subscriber nor any beneficial purchaser for whom it is acting is a non-resident of Canada for the purposes of the Tax Act; (ii) the subscriber, and any beneficial purchaser for whom it is acting deals, and will at all material times continue to deal, at arm's length with the Corporation for the purposes of the Tax Act; (iii) the subscriber, if an individual, is of the full age of majority and otherwise is legally competent to enter into the subscription agreement for Flow-Through Shares; (iv) the liability of the Corporation to renounce Qualifying Expenditures is limited to the extent specifically stated herein and in the subscription agreement; (v) the subscriber has received a copy of this Prospectus; and (vi) the subscription agreement is subject to acceptance by the Corporation and effective only upon such acceptance.

Purchasers of Units will not receive certain benefits under the Tax Act which are particular to the Flow-Through Shares.

Agent's Options

The Agent's Options are not transferable and may be exercised at any time and from time to time within 24 months of issuance at a price of $● per Common Share. The Agent's Options will provide for adjustment in the number of Common Shares issuable upon exercise thereof upon the occurrence of certain events, including the subdivision or consolidation of the Common Shares.

SHARE CAPITAL OF THE CORPORATION

Authorized Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of special shares (the "Special Shares"), issuable in series, of which 272,709,463 Common Shares and no Special Shares were issued and outstanding as of the date of this Prospectus. The following is a summary of the material provisions attaching to the Common Shares and Special Shares. For a full description of the characteristics of the Common Shares and Special Shares, reference should be made to the articles and by-laws of the Corporation.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each Common Share held at all meetings of the shareholders of the Corporation, except for meetings at which only holders of another specified class or series of shares are entitled to vote separately as a class or series. Subject to the prior rights of the holders of the Special Shares or any other shares ranking senior to the Common Shares, the holders of the Common Shares are entitled to (a) receive any dividends if and when declared by the board of directors, and (b) receive the remaining property of the Corporation in the event of any liquidation, dissolution or winding-up of the Corporation.

Special Shares

The board of directors of the Corporation may issue the Special Shares at any time and from time to time in one or more series, each series of which shall have the designations, rights, privileges, restrictions and conditions fixed by the directors. The Special Shares of each series shall rank on a parity with the Special Shares of every other series, and shall be entitled to priority over the Common Shares and any other shares of the Corporation ranking junior to the Special Shares, with respect to priority in the payment of dividends and the return of capital and the distribution of assets of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation.

The following table sets forth the capitalization of the Corporation as at the dates indicated:

			Outstanding as at ●, 2012 after giving effect to the Offering[(2)]	
	Outstanding as at January 31, 2012	**Outstanding as at April 30, 2012**	**Minimum Offering**	**Maximum Offering**
	(audited)	(unaudited)	(unaudited)	(unaudited)
Common Shares	240,240,750	264,730,102	●	●
Special Shares	Nil	Nil	Nil	Nil
Options	16,575,000	16,375,000	●	●
Warrants	86,993,039	99,539,039	●	●

Stock Options

The shareholders of the Corporation first approved the stock option plan at the Annual and Special Meeting of shareholders held on January 15, 2008. The shareholders approved a new rolling stock option plan (the "**Stock Option Plan**") at the Annual and Special Meeting of shareholders held on January 26, 2012.

The purpose of the Stock Option Plan is to encourage common share ownership in the Corporation by directors, officers, employees, service providers and consultants of the Corporation and its affiliates and other Eligible Persons (as defined in the Stock Option Plan). Options may be granted under the Stock Option Plan only to directors, officers, employees, service providers and consultants of the Corporation and its subsidiaries and other such Eligible Persons. The number of common shares which may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued and outstanding common shares as at the date of the grant of options. The maximum number of common shares which may be reserved for issuance to any consultant of the Corporation during any 12 month period under the Stock Option Plan is 2% of the common shares. The maximum number of common shares which may be reserved for issuance to employees conducting investor relations activities during any 12 month period under the Stock Option Plan is 2% of the aggregate number of common shares. The option price of any common shares cannot be less than the closing price of the common shares on the day immediately preceding the day upon which the option is granted, less any discount permitted by the policies of the CNSX, the TSX Venture Exchange, or such other exchange on which the common shares may be listed from time to time. Options granted under the Stock Option Plan may be exercised during a period not exceeding ten (10) years, subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, officer, director, service provider or consultant of the Corporation or any of its subsidiaries or ceasing to be an Eligible Person, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. The options are non-assignable and non-transferable. Options granted under the Stock Option Plan can only be exercised by the optionee as long as the optionee remains an Eligible Person pursuant to the Stock Option Plan or within a reasonable period (set by the board of directors (the "**Board**") in each case) after ceasing to be an eligible optionee, or, if the optionee dies, within one year from the date of the optionee's death. The Stock Option Plan contains provisions for adjustment in the number of common shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the common shares, a merger or other relevant changes in the Corporation's capitalization. Subject to shareholder approval in certain circumstances, the Board may from time to time amend or revise the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time. The Stock Option Plan does not contain any provision

PRIOR SALES

During the preceding twelve months, the Corporation issued the following securities as set out below.

Date of Issuance or Sale	Description of Transaction	Aggregate Number of Securities Issued	Type of Security	Price per Security	Total Gross Consideration
June 2011	Stock Option Issuance	200,000	Stock Options[1]	$0.50 (exercise price)	--

Date of Issuance or Sale	Description of Transaction	Aggregate Number of Securities Issued	Type of Security	Price per Security	Total Gross Consideration
June 2011	Warrant Exercise	587,500	Common Shares	$0.15	$86,250
June/July 2011	Private Placement	1,785,000	Units(2)	$0.30	$535,500
		4,285,000	Flow-Through Units(2)	$0.35	$1,499,750
		364,200	Broker Warrants(2)	$0.30 (exercise price)	--
July 2011	Warrant Exercise	3,554,581	Common Shares	$0.15	$529,436.70
August 2011	Private Placement	355,000	Units(3)	$0.30	$106,500
		25,000	Flow-Through Units(3)	$0.35	$8,750
		21,000	Broker Warrants(3)	$0.30 (exercise price)	--
August 2011	Warrant Exercise	12,500	Common Shares	$0.15	$1,875
September 2011	Stock Option Issuance	450,000	Stock Options(4)	$0.25 (exercise price)	--
October 2011	Private Placement	7,459,375	Units(5)	$0.16	$1,193,500
		9,069,916	Flow-Through Units(5)	$0.18	$1,632,585
		687,278	Broker Warrants(5)	$0.16 (exercise price)	--
October 2011	Property Acquisition	20,000,000	Units(6)	$0.165	$3,300,000
October 2011	Stock Option Issuance	1,000,000	Stock Options(7)	$0.20 (exercise price)	--
October 2011	Stock Option Issuance	750,000	Stock Options(7)	$0.30 (exercise price)	--
October 2011	Stock Option Issuance	250,000	Stock Options(8)	$0.30 (exercise price)	--
November 2011	Private Placement	5,342,250	Units(9)	$0.16	$854,760
		6,718,224	Flow-Through Units(9)	$0.18	$1,209,280

Date of Issuance or Sale	Description of Transaction	Aggregate Number of Securities Issued	Type of Security	Price per Security	Total Gross Consideration
		690,660	Broker Warrants[9]	$0.16 (exercise price)	--
December 2011	Private Placement	8,185,750	Units[10]	$0.16	$1,309,720
		5,526,999	Flow-Through Units[10]	$0.18	$994,859
		557,895	Broker Warrants[10]	$0.16 (exercise price)	--
January 2012	Property Acquisition	1,000,000	Common Shares[11]	$0.27	$270,000
		1,000,000	Purchase Warrants[11]	$0.10	$100,000
January 2012	Property Acquisition	500,000	Common Shares	$0.25	$125,000
January 2012	Warrant Exercise	40,125	Common Shares	$0.25	$8,918.25
	Warrant Exercise	37,100	Common Shares	$0.22	$8,162
February 2012	Private Placement	3,703,704	Flow-Through Units[12]	$0.27	$1,000,000
		222,222	Broker Warrants[12]	$0.27 (exercise price)	--
February 2012	Private Placement	10,864,375	Units[13]	$0.32	$3,476,600
		7,209,714	Flow-through Units[13]	$0.35	$2,523,400
		1,081,444	Broker Warrants[13]	$0.32 (exercise price)	--
February 2012	Warrant Exercise	520,860	Common Shares	$0.16	$83,337.60
	Warrant Exercise	100,000	Common Shares	$0.28	$28,000
	Option Exercise	200,000	Common Shares	$0.25	$50,000
March 2012	Property Acquisition	1,000,000	Common Shares[14]	$0.28	$280,000
		1,000,000	Purchase Warrants[14]	$0.10	--
March 2012	Warrant Exercise	25,699	Common Shares	$0.16	$4,111.84
May 2012	Stock Option Issuance	2,550,000	Stock Options[15]	$0.40 (exercise price)	--
May/June 2012	Private Placement	7,242,860	Units[16]	$0.14	$1,014,000.40

Date of Issuance or Sale	Description of Transaction	Aggregate Number of Securities Issued	Type of Security	Price per Security	Total Gross Consideration
		625,000	Flow-through Units[16]	$0.16	$100,000
		466,072	Broker Warrants[16]	$0.14 (exercise price)	--

Notes:

(1) Expires in 3 years from date of issuance.

(2) Each unit consists of one common share of the Corporation 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 Corporation paid cash commission of $122,115 and issued 364,200 broker warrants valued at $34,637 with each broker warrant having an exercise price of $0.30 per common share and term of 18 months.

(3) Each unit consists of one common share of the Corporation 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 Corporation paid cash commission of $2,775 and issued 21,000 broker warrants valued at $887 with each broker warrant having an exercise price of $0.30 per common share and term of 18 months.

(4) Expires in 3 years from date of issuance.

(5) Each unit consists of one common share of the Corporation 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 Corporation paid cash commission of $117,980 and issued 687,278 broker warrants valued at $52,630 with each broker warrant having an exercise price of $0.30 per common share and term of 18 months.

(6) Each unit consists of one common share of the Corporation and one-half of one common share purchase warrant, where each full warrant entitles the holder thereof to acquire one common share at a price of $0.40 per a common share for a period of 24 months from the date of issuance.

(7) Expire in 3 years from date of issuance.

(8) Expires in 5 years from date of issuance.

(9) Each unit consists of one common share of the Corporation 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 Corporation paid cash commission of $42,973 and issued 690,660 broker warrants valued at $39,631 with each broker warrant having an exercise price of $0.16 per common share and term of 18 months.

(10) Each unit consists of one common share of the Corporation 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 Corporation paid cash commission of $147,689 and issued 557,895 broker warrants valued at $36,925 with each broker warrant having an exercise price of $0.16 per common share and term of 18 months.

(11) Each warrant issued entitles the holder to acquire one common share of the Corporation 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.

(12) 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, the Corporation 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.

(13) 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. Each flow-through 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 financing, the Corporation paid cash

commissions of $357,003 and issued 1,081,444 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.

(14) *Each warrant issued entitles the holder to acquire one common share of the Corporation for a strike price of $0.39 per a share for a two-year period. Total share consideration for acquisition amounted to $280,000.*

(15) *1,350,000 expire six months from the date of issuance, 700,000 of these options expire in two years and 500,000 expire in 5 years.*

(16) *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 $0.20 for a period of 18 months. Each flow-through 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 $0.20 for 18 months. In connection with this financing, the Corporation paid cash commissions of $99,999 and issued 466,072 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.14 for a period of 18 months.*

Trading Price and Volume

The Common Shares are currently listed and posted for trading on the CNSX under the trading symbol "SHP". The table below sets forth the high and low trading prices and volume for the Common Shares traded through the CNSX on a monthly basis for the period from June 2011 to June 2012.

	Price Range and Trading Volume		
	High	**Low**	**Volume**
June 2011	0.38	0.25	3,874,080
July 2011	0.34	0.24	2,680,150
August 2011	0.29	0.18	3,977,513
September 2011	0.24	0.14	4,227,900
October 2011	0.205	0.145	4,249,023
November 2011	0.20	0.13	5,688,492
December 2011	0.30	0.16	5,235,064
January 2012	0.36	0.21	6,974,323
February 2012	0.45	0.29	15,080,867
March 2012	0.365	0.26	6,759,059
April 2012	0.285	0.18	5,194,295
May 2012	0.355	0.125	14,426,917
June 2012	0.15	0.10	3,091,506
July 1 – July 3	0.125	0.11	121,000

ESCROWED SECURITIES AND OTHER SECURITIES SUBJECT TO RESALE RESTRICTIONS

Escrowed Securities

The following table sets out the securities issued to "principals" of the Corporation, as that term is defined in National Policy 46-201 - Escrow for Initial Public Offerings (the "**Escrow Policy**") and certain other shareholders of the Corporation, which are subject to escrow restrictions imposed by the Escrow Policy and the policies of the TSX Venture Exchange:

Designation of Class	Number of Securities in Escrow	Percentage of Class Prior to Offering[1]	Percentage of Class After Completion of Minimum Offering[2]	Percentage of Class After Completion of Maximum Offering[3]
Common Shares	9,371,668	3.44%	●%	●%

Designation of Class	Number of Securities in Escrow	Percentage of Class Prior to Offering[(1)]	Percentage of Class After Completion of Minimum Offering[(2)]	Percentage of Class After Completion of Maximum Offering[(3)]
Warrants	Nil	Nil	●%	●%

Notes:

(1) Based on 272,709,463 common shares outstanding and 101,518,868 warrants outstanding as at the date of this Prospectus.

(2) Based on ● common shares outstanding and ● warrants outstanding after completion of the Minimum Offering.

(3) Based on ● common shares outstanding and ● warrants outstanding after completion of the Maximum Offering.

PRINCIPAL SHAREHOLDERS

To the knowledge of management of the Corporation there are no shareholders who own, of record or beneficially, either directly or indirectly, or exercise control over more than 10% of the issued and outstanding, voting shares of the Corporation as at the date hereof.

DIRECTORS, OFFICERS AND KEY PERSONNEL OF THE CORPORATION

The following table sets out, for each of the Corporation's directors and executive officers, the individual's name, municipality of residence, position(s) with the Corporation, principal occupation during the five preceding years, and if a director, the month and year in which such individual became a director. The directors of the Corporation are elected annually and the term of office of each director will expire at the time of the next annual meeting of shareholders of the Corporation or until his or her successor is elected or appointed. As of the date of this Prospectus, the directors and executive officers of the Corporation, as a group, own beneficially, directly or indirectly, or control or direct 13,207,010 common shares, representing 4.84% of the outstanding common shares.

Name and Address	Position(s) Held with Corporation	Officer/Direct or since	Principal Occupations During Past Five Years	Common Shares Beneficially Owned, Controlled or Directed (%)[(5)]
Howard Hanick[(1)] Toronto ON	Director	October 14, 2010	Vice-President (Business Development) of Mortgage-Central from May 1, 2012 to present; Partner of Feldman & Associates, Chartered Accounts from December 2009 to July 2011; consultant to St. Joseph Content, responsible for acquisition integration, from August 2001 to December 2009; President and owner of CMI Canada Inc., a full service content creation company, from 2003 to 2008.	250,000 (0.09%)

Name and Address	Position(s) Held with Corporation	Officer/Director since	Principal Occupations During Past Five Years	Common Shares Beneficially Owned, Controlled or Directed (%)[5]
John Clarke[2][3] Toronto, ON	Director	October 14, 2010	Vice President, Business Development with CGX Energy Inc., since November 2009; Executive Vice President, Corporate and Director of Candax Energy Inc. from September 2004 to October 2009.	175,000 (0.06%)
Donald Sheldon[1][2][3][4] Vancouver, BC	Director	October 14, 2010	Director of Merus Labs International since March 2010; Director of Nebu Resources Inc. since October 2010; Director and CEO of Range Energy Resources Inc. from May 2005 to July 2011.	1,007,460 (0.37%)
Norman D. Kelly[2][4] Liphook, Hampshire, UK	Director	October 14, 2010	Director of Davidson Kelly & Co. Ltd. since June 1997; Director and President of Range Energy Resources Inc. from January 2010 to September 2010.	3,000,000 (1.10%)
George Langdon Calgary, AB	President, CEO and Director	October 29, 2010	President and Chief Executive Officer of Shoal Point Energy Ltd. since October 2010; Director of Gulf Shores Resources Ltd. since June 2003; Director of Monarch Energy Ltd. since May 2007.	7,239,550 (2.65%)
Brian Murray[1][3][4] Toronto, ON	Chief Financial Officer and Director	October 29, 2010	Director and Chair of the Audit Committee of Range Energy Resources Inc since 1990; President of Murcon Ltd., a private financial consulting company involved in merchant banking, since October 1990	1,535,000 (0.56%)
Steve Millan St. John's, Newfoundland	Director	December 1, 2011	President, CEO and Chairman of Canadian Imperial Venture Corp. ("CIVC") from April 1996 to February 2011; President of Cresta International Development Inc. from February 1994 to present	Nil (0%)
Shawn M. Skinner	Director	June 19, 2012	Senior Director of Business Development of Aecon Group Inc. since June 2012; Member of the House of Assembly for the district of St. John's Centre from October 2003 to September 2011	Nil (0%)

Notes:

(1) *Member of the Audit Committee. Mr. Hanick is the chair of the Audit Committee.*
(2) *Member of the Compensation Committee.*
(3) *Member of the Disclosure Committee.*
(4) *Member of the Nominating Committee.*
(5) *Based on 272,709,463 common shares outstanding as at the date of this Prospectus.*

Profiles of the Corporation's directors and officers are set forth below:

Howard Hanick, Director, age 50

Mr. Hanick most recently was a partner of Feldmen & Associates, Chartered Accountants from December 2009 to July 2011. Further, he recently served as a consultant to St. Joseph Content, responsible for acquisition integration from August 2001 to December 2009. From 2003 to 2008 Mr. Hanick was the President and owner of CMI Canada Inc., a full service content creation company specializing in retail flyer production and catalogs. From 2001 to 2003, Mr. Hanick served as Chief Financial Officer of Communicorp Corp. (CUC;TSX). Mr. Hanick has previously served as an officer and director of several public companies including Pinetree Capital Corp (PNP;TSX) and Brownstone Ventures Inc (BWN; TSXV) from 1993 to 1999. Mr. Hanick holds a Chartered Accountant designation, as well as a B.A. in Commerce from the University of Toronto. Mr. Hanick will devote approximately 5% of his time to the Corporation.

John Clarke, Director, age 62

Mr. Clarke has been Vice President, Business Development with CGX Energy Inc., a TSX Venture listed exploration company with licenses offshore Guyana, South America since November 2009. Prior to joining CGX, Mr. Clarke was Executive Vice President, Corporate as well as being a director and one of the original founders of Candax Energy Inc. from 2004 to 2009, a TSX listed company, with licenses in Tunisia and Madagascar. Mr. Clarke is President of Clarke Energy Consulting Inc. and has over 35 years international experience in the energy sector, including 18 years of E&P experience within the Texaco group of companies and as a member of Texaco Inc.'s global exploration planning group. John also has a broad capital markets background, including eight years as a Vice President and Senior Oil & Gas Analyst with Deutsche Bank and Octagon Capital Corporation, where he was ranked top North American Oil & Gas Analyst in 2003 and 2004 by Forbes/Starmine. Mr. Clarke has strong relationships across the international oil and gas industry, as well as with energy sector specialists in the global equity capital markets. Mr. Clarke has a Bachelor of Science in Physics from Birmingham University, Birmingham, UK and a Masters in Science from Imperial College, London, UK as well as a Bachelor of Arts in English from the University of Calgary. Mr. Clarke will devote approximately 5% of his time to the Corporation.

Donald Sheldon, Director, age 66

Mr. Sheldon has operated as President and CEO of a number of public companies over the past 25 years. He currently is a Director of Merus Labs International since March 2010 and a Director of Nebu Resources Inc. since October 2010; From 2005 to 2011 he was the Director and CEO of Range Energy Resources Inc., a company that focused on developing opportunities in the Kurdistan region of the Middle East. During this time Mr. Sheldon raised over $25 million in Range Energy. As president of Pure Gold Resources (now Pure Diamonds Exploration Inc. – PUG:TSE) from 1992 to 2005, Mr. Sheldon has overseen fundraising in excess of $40 million, and arranged a number of Joint Venture projects with multi-national companies. Mr Sheldon has financial contacts throughout the world and specializes in orchestrating JV relationships with multi-national companies. Mr. Sheldon will devote approximately 40% of his time to the Corporation.

Norman D. Kelly, Director, age 66

Mr. Kelly has spent thirty years in the petroleum business, principally in the areas of corporate management, mergers and acquisitions, corporate finance, and international business development. Mr. Kelly has been a Director of Davidson & Kelly Co. Ltd. since June 1997 and was a Director and President of Range Energy Resources Inc. in 2010. He was a member of the executive committee of BHP

Petroleum from 1995 to 2000, and previously spent twenty years with LASMO plc, a UK independent oil company as director, corporate development. From 2001 to 2003 he was CEO of Mena Energy Limited, a company established to invest in Middle Eastern oil and gas projects. Mr. Kelly will devote approximately 50% of his time to the Corporation.

George Langdon, President, CEO and Director, age 55

Dr. Langdon is not an independent director by virtue of his position as President and Chief Exectuve Officer of the Corporation. Dr. Langdon joined the petroleum industry as a geologist in 1980, and worked domestically and internationally until 1987 with Hudson's Bay Oil and Gas, Saudi Aramco, and Mobil Oil Canada Ltd. In the 1990's he consulted for and joined management teams of several junior oil and gas companies, and presently is a Director of Gulf Shores Resources Ltd., and is President and a Director of Monarch Energy Ltd. He is also a former Director of Contact Exploration Inc. He has been involved in west Newfoundland petroleum prospect geology since his early education at Memorial University of Newfoundland, where in 1996 he took a doctorate in seismic-based basin analysis of the western Newfoundland and adjacent Maritimes Basin areas. He is President of the Corporation and was President of Shoal Point since co-founding the company in December 2006. Mr. Langdon will devote approximately 70% of his time to the Corporation.

R. Brian Murray, Chief Financial Officer and Director, age 62

Mr. Murray is not an independent director by virtue of his position as Chief Financial Officer of the Corporation. Mr. Murray has been the Chair of the Audit Committee of Range Energy Resources Inc. since 1990 and he has been the President of Murcon Ltd., a private financial consulting company involved in merchant banking, located in Toronto, Canada since October 1990. He is a Chartered Accountant and holds a Masters degree in Business Administration. Mr. Murray serves as a director for a number of public companies trading on the TSX Venture Exchange. Mr. Murray will devote approximately 70% of his time to the Corporation.

Steve Millan, Director, age 75

Mr. Millan is a former VP of Frontier and International Exploration at PetroCanada and President of PetroCanada International Assistance Corporation and a former Executive Director (Deputy Minister) of the Newfoundland Petroleum Directorate. He has served on numerous industry, university, governmental and professional boards and committees. He is a member of the Association of Professional Engineers and Geoscientists of Newfoundland and Labrador (PEG-NL) and the American Association of Petroleum Geologists (AAPG). Most recently until February 2011, he was the CEO and Chairman of Canadian Imperial Venture Corp. for 15 years.

Shawn Skinner, Director, age 50

Mr. Skinner currently has served as Senior Director of Business Development for Aecon Group Inc. since June 2012. Previously Mr. Skinner served as Member of the House of Assembly for the district of St. John’s Centre from October 2003 to September 2011. Prior to being elected, Mr. Skinner served as municipal councillor for the City of St. John’s from 1993 to 1997 and worked primarily in the field of adult education and skills training. Throughout his career, Mr. Skinner has been actively engaged in community service working closely with the St. John’s Boys and Girls Club, Canadian Blood Services, CNIB, and the Benevolent Irish Society. Mr. Skinner was appointed Parliamentary Assistant to the Premier in July 2006. He assumed the position of Minister of Human Resources, Labour and Employment ad Minister Responsible for Housing in January 2007. In October 2007, he also assumed the position of Minister Responsible for Persons with Disabilities, a position he held until October 2008, when he was

named Minister of Innovation, Trade and Rural Development and Minister Responsible for the Rural Secretariat.

Cease Trade Orders and Bankruptcy

None of the directors is, as at the date of this Offering, or was within 10 years before the date of this Offering, a director or chief executive officer or chief financial officer of any company that: (i) was the subject of an order (as defined in Form 51-102F5 of National Instrument 51-102- *Continuous Disclosure Obligations*) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer, or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer, or chief financial officer, other than:

- On September 19, 2002, Mr. Sheldon was President and a director of Pro-Tech Venture Corp. ("**Pro-Tech**"), which was the subject of a cease trade order issued by the British Columbia Securities Commission ("**BCSC**") for failure to file financial statements. This cease trade order has not been revoked;

- On October 26, 2001, Mr. Sheldon was President and a director of Pro-Tech, which was the subject of a cease trade order issued by the Alberta Securities Commission for failing to file financial statements. This cease trade order has not been revoked;

- On August 26, 2002, Mr. Murray was a director of High American Gold Inc. ("**High American**"), which was the subject of a cease trade order in issued by the Ontario Securities Commission. High American is currently listed on the TSXV under the name Antioquia Gold Inc;

- On February 21, 2002, Mr. Murray was a director of Explorers Alliance Corp., which was the subject of a cease trade order issued by the BCSC for failure to file financial statements. This cease trade order has not been revoked;

- In 1994, the BCSC issued a cease trade order against Mr. Murray for failure to file an insider report with respect to a trade in shares of Pure Gold Explorations Inc.; and

- On April 5, 2007 Mr. Millan was the CEO and a director of CIVC, which was the subject of a cease trade order issued by the BCSC for failure to file financial statements. The cease trade order was revoked by the BCSC on May 8, 2007.

None of the directors, (i) is at the date hereof, or has been within 10 years before the date of this Offering, a director or executive officer of any company that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before this Offering, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder, other than:

- In September of 2009, Mr. Langdon was the President and director of Shoal Point Energy Ltd., a private company, when the company filed a notice to make a proposal for the benefit of its creditors

under the *Bankruptcy and Insolvency Act* (Canada), for which proposal more than 90% of the creditors of the company voted in favor. On or about November 17, 2009, the company's proposal was approved by the Court of Queen's Bench of Alberta, in the Judicial District of Calgary, and was subsequently effected by the company (the "**Bankruptcy Approval**");

- In April of 2004, a plan of compromise or arrangement was granted by the Supreme Court of British Columbia to CIVC under the Companies' Creditors Arrangement Act. Mr. Millan was, at the time, the Chief Executive Officer and a director of CIVC;

- In August of 2003, while Mr. Hanick was Chief Financial Officer of Communicorp Corp. ("**Communicorp**"), Staz Communications inc., a wholly-owned subsidiary of Communicorp, went into receivership and operations were subsequently discontinued. In November 2003, the primary lender for Communicorp foreclosed on the undertaking and assets of Communicorp. Multimedia Inc., a wholly-owned subsidiary of Communicorp, in satisfaction of its obligations under its general security agreement; and

- In June of 1999, 941037 Ontario Limited and Advance Process Fuels Inc. (subsidiaries to Process Capital Corp.) filed a proposal under the Companies' Creditors Arrangement Act. Mr. Murray was a director of Process Capital Corp. during this time.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of the Corporation.

Mr. George Langdon is a director of Contact Exploration Inc., a corporation engaged in the exploration for, and the acquisition, development and production of oil and gas primarily in Atlantic Canada. Mr. Langdon is also a director of Gulf Shore Resources Inc., which company has a minor interest in oil and gas properties in Atlantic Canada.

Conflicts, if any, will be subject to the procedures and remedies available under the *Business Corporations Act* (Ontario). The *Business Corporations Act* (Ontario) provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the *Business Corporations Act* (Ontario).

The following table sets forth the directors and officers who have experience as directors and officers of other reporting issuers (or the equivalent of a reporting issuer) during the five preceding years.

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Howard Hanick	Blue Rush Media	TSXV	Chief Financial Officer	03/10	10/11
	Waymar Resources Ltd.	TSXV	Director	02/10	Present
John Clarke	Candax Energy Inc.	TSX	Director Officer	09/04 09/04	10/09 10/09
	CGX Energy Inc.	TSXV	Officer	11/09	Present
	Vena Resources	TSX	Director	05/11	Present

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Donald Sheldon	Merus Labs International	CNSX	Director	03/10	Present
	Nebu Resources Inc.	TSXV	Director	10/10	Present
	Bard Ventures Ltd.	TSXV	Chairman Director	12/92 12/92	03/07 03/07
	Burnstone Ventures Inc.	CNSX	Director Chairman	06/92 05/06	03/11 07/09
	Cross Lake Minerals Ltd.	TSX	Director	12/03	04/07
	Range Energy Resources Inc.	CNSX	Chief Executive Officer Director President President	05/05 05/05 09/10 05/05	07/11 07/11 07/11 01/10
	Range Gold Corp.	CNSX	President Chief Executive Officer Director	11/06 11/06 11/06	04/10 04/10 04/10
	Selkirk Metals Corp.	TSXV	Director	04/05	04/07
Norman Kelly	Range Energy Resources Inc.	CNSX	President Director	01/10 01/10	09/10 09/10
George Langdon	Gulf Shores Resources Ltd.	TSXV	Director	07/00	Present
	Monarch Energy Ltd.	TSXV	Director	04/07	Present
	Contact Exploration Inc.	TSXV	Director	07/01	05/10
Brian Murray	Process Capital Corp.	TSXV	Director	11/96	Present
	Pure Diamonds Exloration Inc.	TSX	Director	06/92	05/09
	Exploreres Alliance Corp.	OTC	Director President	10/93 10/93	01/08 10/00
	Antioquia Gold Inc.	TSXV	Director President	06/06 09/07	Present 04/08
	Desert Gold Ventures Inc.	TSXV	Director	03/04	01/09
	Sea Green Capital Corp.	TSXV	President Chief Financial Officer Director	12/03 10/10 07/97	10/10 Present Present
	Range Energy Resources Inc.	CNSX	Director Chief Financial Officer	02/07 02/07	07/11 11/07
	Range Gold Corp.	CNSX	Director	11/06	05/10
	Portage Minerals Inc.	N/A	Director	08/07	10/08
	Nebu Resources Inc.	TSXV	President Director	01/08 01/08	Present Present
	Virgin Metals Inc.	TSX	Director	05/08	07/09
	Trillium North Minerals Inc.	TSXV	Director	08/09	03/11
	Rainbow Resources Inc.	TSXV	President Director	12/10 12/10	Present Present
Steve Millan	Canadian Imperial Venture Corp.	TSXV	Chairman Chief Executive Officer President	04/96 04/96 04/96	02/11 02/11 02/11

STATEMENT OF EXECUTIVE COMPENSATION

Named Executive Officers

For the purposes of this Prospectus, a Named Executive Officer ("**NEO**") of the Corporation means each of the following individuals:

(a) a chief executive officer ("**CEO**") of the Corporation;
(b) a chief financial officer ("**CFO**") of the Corporation;
(c) each of the Corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for that financial year; and
(d) each individual who would be an NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

The Corporation currently has the following NEO's: George Langdon, President and Chief Executive Officer and R. Brian Murray, Chief Financial Officer.

Compensation Discussion and Analysis

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

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

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

1. *Compensation programs align with shareholder interests* – the Corporation aligns the goals of executives with maximizing long term shareholder value;

2. *Performance sensitive* – compensation for executive officers should be linked to operating and market performance of the Corporation and fluctuate with the performance; and

3. *Offer market competitive compensation to attract and retain talent* – the compensation program should provide market competitive pay in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

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

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

Competitive Compensation

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

The Board reviews data related to compensation levels and programs of various companies that are similar in size to the Corporation and operate within the oil and gas industry, prior to making its decisions. These companies are used as the Corporation's primary peer group because they have similar business characteristics or because they compete with the Corporation for employees and investors. The Board also relies on the experience of its members as officers and/or directors at other companies in similar lines of business as the Corporation in assessing compensation levels.

The purpose of this process is to:

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

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

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

A combination of fixed and variable compensation is used to motivate executives to achieve overall corporate goals. For the 2011 financial year, the three basic components of executive officer compensation program were:

- fixed salary;
- annual incentives (cash bonus); and
- option based compensation.

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

Base Salary

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

Annual Incentives

The Corporation is not currently awarding any annual incentives by way of cash bonuses. However, the Corporation, in its discretion, may award such incentives in order to motivate executives to achieve short-term corporate goals. The Compensation Committee and the Board approve annual incentives.

The success of NEOs in achieving their individual objectives and their contribution to the Corporation in reaching its overall goals are factors in the determination of their annual bonus. The Compensation Committee and the Board assesses each NEO's performance on the basis of his or her respective contribution to the achievement of the predetermined corporate objectives, as well as to needs of the Corporation that arise on a day to day basis. This assessment is used by the Compensation Committee in developing its determination of annual bonuses for the NEOs.

Compensation and Measurements of Performance

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

Long Term Compensation

The Corporation currently has no long-term incentive plans, other than stock options granted from time to time by the Board under the provisions of the Corporation's Stock Option Plan. The shareholders of the Corporation first approved the previous stock option plan at the Annual and Special Meeting of shareholders held on January 15, 2008. The shareholders of the Corporation have approved a new Stock Option Plan at the Annual and Special Meeting of the shareholders held on January 26, 2012. The purpose of the Stock Option Plan is to encourage common share ownership in the Corporation by directors, officers, employees, service providers and consultants of the Corporation and its affiliates and other Eligible Persons (as defined in the Stock Option Plan). Options may be granted under the Stock Option Plan only to directors, officers, employees, service providers and consultants of the Corporation and its subsidiaries and other such Eligible Persons. The number of common shares which may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued and outstanding common shares as at the date of the grant of options. The maximum number of common shares which may be reserved for issuance to any consultant of the Corporation during any 12 month period under the Stock Option Plan is 2% of the common shares. The maximum number of common shares which may be reserved for issuance to employees conducting investor relations activities during any 12 month period under the Stock Option Plan is 2% of the aggregate number of common shares. The option price of any common shares cannot be less than the closing price of the common shares on the day immediately preceding the day upon which the option is granted, less any discount permitted by the policies of the CNSX, the TSX Venture Exchange, or such other exchange on which the common shares may be listed from time to time. Options granted under the Stock Option Plan may be exercised during a period not exceeding ten (10) years, subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, officer, director, service provider or consultant of the Corporation or any of its subsidiaries or ceasing to be an Eligible Person, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. The options are non-assignable and non-transferable. Options granted under the Stock Option Plan can only be exercised by the optionee as long as the optionee remains an Eligible Person pursuant to the Stock Option Plan or within a reasonable period (set by the board of directors (the "**Board**") in each case) after ceasing to be an eligible optionee, or, if the optionee dies, within one year from the date of the optionee's death. The Stock Option Plan contains provisions for adjustment in the number of common shares issuable thereunder in the event of a subdivision, consolidation, reclassification or change of the common shares, a merger or other relevant changes in the Corporation's capitalization. Subject to shareholder approval in certain circumstances, the Board may from time to time amend or revise the terms of the Stock Option Plan or may terminate the Stock Option Plan at any time. The Stock Option Plan does not contain any provision for financial assistance by the Corporation in respect of options granted under the Stock Option Plan.

Compensation Governance

The Compensation Committee provides guidance and assists the Board in determining the compensation for the Corporation's directors and executive officers. The Compensation Committee is comprised of John Clarke, Donald Sheldon and Norman Kelly, each of whom are considered independent.

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

Each member of the Compensation Committee relies on his experience with other reporting issuers and industry experience to make decisions on the Corporation's policies and practices to ensure they are consistent with industry standards.

Compensation Summary

The table below sets forth information concerning the compensation paid, awarded or earned by each of the NEOs for services rendered in all capacities to the Corporation during the fiscal years ended January 31, 2012, 2011, and 2010. Disclosure of the compensation for prior years, in accordance with applicable requirements, can be found on SEDAR at www.sedar.com.

Summary Compensation Table

NEO Name and Principal Position	Year	Salary ($)	Share-Based Awards ($)	Option-Based Awards ($)[3]	Non-Equity Incentive Plan Compensation ($)		Pension Value ($)	All other Compensation ($)	Total Compensation ($)
					Annual Incentive Plans	Long-Term Incentive Plans			
George Langdon[(1)] President and CEO	2012	115,400	Nil	Nil	N/A	N/A	N/A	Nil	115,400
	2011	135,000	Nil	$223,295	N/A	N/A	N/A	Nil	$358,295[(4)]
	2010	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil
R. Brian Murray[(2)] CFO	2012	170,000	Nil	54,750	N/A	N/A	N/A	Nil	224,750
	2011	50,000	Nil	$120,700	N/A	N/A	N/A	60,000[(5)]	$230,700[(6)]
	2010	Nil	Nil	Nil	N/A	N/A	N/A	Nil	Nil

Notes:

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

Incentive Plan Awards

Outstanding Option-Based and Share-Based Awards

The following table sets out for each NEO, the incentive stock options (option-based awards) and share-based awards outstanding as at January 31, 2012. These incentive stock options either vested at the time of grant or were fully vested during the year ended January 31, 2012.

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date ($)	Value of unexercised in-the-money options[(1)] ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
George Langdon President and CEO	1,850,000	0.25	October 29, 2015	185,000	Nil	Nil
R. Brian Murray CFO	1,000,000	0.25	October 29, 2015	100,000	Nil	Nil
	300,000	0.40	February 22, 2016	Nil		

Notes:

(1) Calculated using the closing price of the Common Shares on the CNSX on January 31, 2012 of $0.35 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

Value Vested or Earned During the Year

The following table sets forth, for each NEO, the value of all incentive plan awards vested during the year ended January 31, 2012.

Name	Option-based awards- Value vested during the year ($)	Share-based awards- Value vested during the year ($)	Non-equity incentive plan compensation- Value earned during the year ($)
George Langdon President and CEO	Nil	Nil	Nil
R. Brian Murray CFO	Nil	Nil	Nil

Notes:

(1) These are the same amounts as disclosed under "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table earlier in this Prospectus.

Employment Contracts

During the fiscal year ended January 31, 2012, the Corporation did not have in place any employment contact between the Corporation or any subsidiary or affiliate thereof and any NEO.

As of February 1, 2012 the Corporation entered into employment agreements with Tectonics, Inc. (a company controlled by George Langdon), Murcon Ltd. (a company controlled by Brian Murray), and Norman D. Kelly.

Pursuant to an employment agreement effective February 1, 2012 (the "**Tectonics Agreement**") between the Corporation and Tectonics, Inc., Mr. Langdon will receive a base salary of $240,000 per year as the President and Chief Executive Officer of the Corporation. The Tectonics Agreement has an initial five year term. The Tectonics Agreement contains non-disclosure provisions whereby Mr. Lopez covenants not to disclose confidential information of the Corporation.

Under the terms of the Tectonics Agreement, Mr. Langdon has the option to terminate his employment by giving the Corporation 15 days notice in writing. Upon such termination, Mr. Langdon is entitled to be paid the then current salary under the Tectonics Agreement prorated until the end of the notice period. The Corporation has the right to terminate the Tectonics Agreement upon payment to Mr. Langdon of a lump sum equal to 24 months' salary in lieu of notice at the salary rate then in effect under the Tectonics Agreement. Upon a change of control of the Corporation and Mr. Langdon's employment with the Corporation is terminated either: (i) as a result of termination by the Corporation within a period of 18 months following such change of control, or (ii) as a result of a material amendment of Mr. Langdon's roles, duties and responsibilities, Mr. Langdon is entitled to a lump sum payment equal to 24 months' salary at the salary rate then in effect under the Tectonics Agreement.

Pursuant to an employment agreement effective February 1, 2012 (the "**Murcon Agreement**") between the Corporation and Murcon Ltd., Mr. Murray will receive a base salary of $240,000 per year as the Chief Financial Officer of the Corporation. The Murcon Agreement has an initial five year term. The Murcon Agreement contains non-disclosure provisions whereby Mr. Murray covenants not to disclose confidential information of the Corporation.

Under the terms of the Murcon Agreement, Mr. Murray has the option to terminate his employment by giving the Corporation 15 days notice in writing. Upon such termination, Mr. Murray is entitled to be paid the then current salary under the Murcon Agreement prorated until the end of the notice period. The Corporation has the right to terminate the Murcon Agreement upon payment to Mr. Murray of a lump sum equal to 24 months' salary in lieu of notice at the salary rate then in effect under the Murcon Agreement. Upon a change of control of the Corporation and Mr. Murray's employment with the Corporation is terminated either: (i) as a result of termination by the Corporation within a period of 18 months following such change of control, or (ii) as a result of a material amendment of Mr. Murray's roles, duties and responsibilities, Mr. Murray is entitled to a lump sum payment equal to 24 months' salary at the salary rate then in effect under the Murcon Agreement.

Pursuant to an employment agreement effective February 1, 2012 (the "**Kelly Agreement**") between the Corporation and Norman D. Kelly, Mr. Kelly will receive a base salary of $120,000 per year as the Chairman of the Corporation. The Kelly Agreement has an initial five year term. The Kelly Agreement contains non-disclosure provisions whereby Mr. Kelly covenants not to disclose confidential information of the Corporation.

Under the terms of the Kelly Agreement, Mr. Kelly has the option to terminate his employment by giving the Corporation 15 days notice in writing. Upon such termination, Mr. Kelly is entitled to be paid the then current salary under the Kelly Agreement prorated until the end of the notice period. The Corporation has the right to terminate the Kelly Agreement upon payment to Mr. Kelly of a lump sum equal to 24 months' salary in lieu of notice at the salary rate then in effect under the Kelly Agreement. Upon a change of control of the Corporation and Mr. Kelly's employment with the Corporation is terminated either: (i) as a result of termination by the Corporation within a period of 18 months following such change of control, or (ii) as a result of a material amendment of Mr. Kelly's roles, duties and responsibilities, Mr. Kelly is entitled to a lump sum payment equal to 24 months' salary at the salary rate then in effect under the Kelly Agreement.

Pension and Retirement Plans

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

Termination and Change of Control Benefits

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

Director Compensation

The following table describes director compensation for non-executive directors for the year ended January 31, 2012.

COMPENSATION OF DIRECTORS[1][2]				
Name	**Fees earned ($)**	**Option-based awards[3] ($)**	**All other compensation ($)**	**Total compensation ($)**
Donald R. Sheldon	72,922 [4]	54,750	N/A	127,672
Norman D. Kelly	70,000[5]	54,750	N/A	124,750
Howard Hanick	2,660	Nil	N/A	2,660
John Clarke	1,000	Nil	N/A	1,000
Steve Millan	Nil	21,190	N/A	21,190

Notes:

(1) Table does not include any amount paid as reimbursement for expenses.

(2) Compensation paid to the NEOs who served as directors of the Corporation is disclosed in the Summary Compensation Table. See "Executive Compensation".

(3) The fair value of options granted during the year ended January 31,2011, was estimated at the date of grant using the Black Scholes Option Pricing Model with the following assumptions; risk-free interest rate of 1.76%; estimated hold period prior to exercise – 5 years; volatility in the price of the Common Shares – 80%; dividend yield – Nil; fair value-$0.20.

(4) Mr. Sheldon operates and receives his compensation through Sayonara Holdings Ltd., a company controlled by Mr. Sheldon.

(5) Mr. Kelly operates and receives his compensation through Aberdon International Inc., a company controlled by Mr. Kelly.

Option-Based and Share-Based Awards to Directors

The following table sets out for each independent director the incentive stock options (option-based awards) and share-based awards outstanding as of January 31, 2012. These incentive stock options vested at the time of grant. The closing price of the Corporation's shares on the CNSX on January 31, 2012 was $0.35.

	Option-based Awards				**Share-based Awards**	
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date ($)**	**Value of unexercised in-the-money options ($)**	**Number of shares or units of shares that have not vested (#)**	**Market or payout value of share-based awards that have not vested ($)**
Donald R. Sheldon	1,000,000	0.25	October 29, 2015	100,000	N/A	N/A

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date ($)	Value of unexercised in-the-money options ($)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ($)
	300,000	0.40	February 22, 2016	Nil	N/A	N/A
Norman D. Kelly	1,000,000	0.25	October 29, 2015	100,000	N/A	N/A
	300,000	0.40	February 22, 2016	Nil	N/A	N/A
Howard Hanick	250,000	0.25	October 29, 2015	25,000	N/A	N/A
John Clarke	250,000	0.25	October 29, 2015	25,000	N/A	N/A
Steve Millan	150,000	0.40	January 20, 2013	Nil	N/A	N/A
	250,000	0.30	October 25, 2016	Nil	N/A	N/A

Notes:

(1) Calculated using the closing price of the Common Shares on the CNSX on January 31, 2012 of $0.35 and subtracting the exercise price of in-the-money stock options. These stock options have not been, and may never be, exercised and actual gains, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

Value Vested or Earned During the Year

Name	Option-based awards- Value vested during the year[(1)] ($)	Share-based awards- Value vested during the year ($)	Non-equity incentive plan compensation- Value earned during the year[(2)] ($)
Donald R. Sheldon	Nil	N/A	N/A
Norman D. Kelly	Nil	N/A	N/A
Howard Hanick	Nil	N/A	N/A
John Clarke	Nil	N/A	N/A
Steve Millan	Nil	N/A	N/A

Notes:

(1) Summarizes the aggregate value that would have been realized if the options that vested during the financial year ended January 31, 2011 had been exercised on the vesting date. As these options were not necessarily exercised, or exercised on such vesting date, by the directors, these amounts do not necessarily reflect amounts realized by the directors during the year ended January 31, 2011.

(2) These are the same amounts as disclosed under "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table earlier in this Prospectus.

Long-term Incentive Plan (LTIP) Awards

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

Stock Appreciation Rights and Restricted Shares

No stock appreciation rights or restricted shares of the Corporation were granted by the Corporation to the NEOs of the Corporation during the year ended January 31, 2012.

Compensation of Directors

Directors of the Corporation are not entitled to any fees for attending meetings of the Board, committees of the Board and shareholders of the Corporation. The directors are reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings and also participate in the Corporation's stock option plan.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information in respect of the Corporation's equity compensation plans under which equity securities of the Corporation are authorized for issuance, aggregated in accordance with all equity plans previously approved by the Corporation's Shareholders and all equity plans not approved by the Corporation's Shareholders as at January 31, 2012.

Plan Category	**Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (#)**	**Weighted-average Exercise Price of Outstanding Options, Warrants and Rights ($)**	**Number of Securities remaining available for Future Issuance under Equity Compensation Plans (#)**
Equity compensation plans approved by security holders	16,575,000	$0.27	7,449,075(1)
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	**16,575,000**		**7,449,075**

Note:

(1) *The Stock Option Plan is a "rolling" stock option plan whereby the maximum number of Common Shares that may be reserved for issuance pursuant to the Stock Option Plan will not exceed 10% of the issued shares of the Corporation at the time of the stock option grant. As at January 31, 2012, 24,024,075 Common Shares may be reserved for issuance pursuant to the Stock Option Plan.*

AGGREGATE INDEBTEDNESS

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

Purpose	**To the Corporation or its Subsidiary ($)**	**To another Entity ($)**
Share Purchases	300,000	Nil
Other	Nil	Nil

Note: *On October 27, 2011, the Corporation loaned certain directors, officers and consultants an aggregate amount of $300,000 for the purpose of purchasing securities of the Corporation.*

INDEBTEDNESS OF DIRECTORS, OFFICERS AND EMPLOYEES

Other than as disclosed below, as of the date hereof and during the fiscal period ended January 31, 2012 there was no indebtedness owing to the Corporation in connection with the purchase of securities or other indebtedness by any current or former executive officers, directors, employees of the Corporation. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar

arrangement or understanding provided by the Corporation or any subsidiary other than as disclosed below:

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During the year ended January 31, 2012 ($)	Amount Outstanding as at May 31, 2012	Financially Assisted Securities Purchases During the year ended January 31, 2012	Security for Indebtedness	Amount Forgiven During the year ended January 31, 2012 ($)
George Langdon President & CEO	Lender	54,000	54,000	54,000	Nil	Nil
R. Brian Murray CFO and Director	Lender	54,000	54,000	54,000	Nil	Nil
Donald Sheldon Director	Lender	48,000	48,000	48,000	Nil	Nil
Alex Falconer Controller	Lender	27,000	27,000	27,000	Nil	Nil
Howard Hanick Director	Lender	27,000	27,000	27,000	Nil	Nil
John Clarke Director	Lender	27,000	27,000	27,000	Nil	Nil
Norman D. Kelly Director	Lender	54,000	54,000	54,000	Nil	Nil
David Black Investor Relations Consultant	Lender	9,000	9,000	9,000	Nil	Nil

Note:

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

AUDIT COMMITTEE INFORMATION REQUIRED FOR A VENTURE ISSUER

Multilateral Instrument 52-110 ("MI 52-110") requires that certain information regarding the Audit Committee of a "venture issuer" (as that term is defined in MI52-110) be included in the prospectus.

Audit Committee Charter

The Audit Committee operates under a written charter that sets out its responsibilities and composition requirements. A copy of the charter is attached to this Prospectus as Schedule "B".

Composition of the Audit Committee

The members of the Audit Committee are Howard Hanick (Chair), Mr. Sheldon, and Mr. Murray, each of whom is a director, and financially literate and each of Mr. Hanick and Mr. Sheldon are independent in accordance with MI52-110. Mr. Murray is not independent by virtue of his management role with the Corporation.

Relevant Education and Experience

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

1. an understanding of the accounting principles used by the Corporation to prepare its financial statements;

2. the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves;

3. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising one or more persons engaged in such activities; and

4. an understanding of internal controls and procedures for financial reporting.

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

Donald Sheldon- Mr. Sheldon is a 1966 graduate from the University of Alberta with a Bachelor of Arts degree in Economics and Philosophy, and a 1969 graduate from the University of Western Ontario with a Masters degree in Business Administration. From 1984, Mr. Sheldon was the President and director of D.S. Management Ltd. and then, since 2009, Sayonara Holdings Ltd., private companies involved in the organization and management of a number of reporting and non-reporting companies. Mr. Sheldon has served and serves as a director or officer of various companies trading on the CNSC, the TSXV and the Toronto Stock Exchange, including, among others, Range Gold Corp. (from November 2006 to April 2010), Burnstone Ventures Inc. (since June 1992), Bard Ventures Ltd. (December 1992 to March 2007), Cross Lake Minerals Ltd. (December 2003 to April 2007), Desert Gold Ventures Inc. (December 2003 to March 2006), and Selkirk Metals Corp. (April 2005 to April 2007).

R. Brian Murray-Mr. Murray is a director and Chair of the Audit Committee of Range Energy Resources Inc. Since 1990 he has been the President of Murcon Ltd., a private financial consulting company involved in merchant banking, located in Toronto, Canada. He is a Chartered Accountant and holds a Masters degree in Business Administration. Mr. Murray serves as a director for a number of public companies trading on the TSXV.

Audit Committee Oversight

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

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

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

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

2. an exemption from the requirements of MI 52-110, in whole or in part, granted by a securities regulator under Part 8 (*Exemptions*) of MI 52-110.

Pre-Approval Policies and Procedures

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

External Auditor Service Fees

The following table provides details in respect of audit, audit related, tax and other fees billed by the external auditor of the Corporation for professional services rendered to the Corporation during the fiscal years ended January 31, 2012 and 2011:

	Year Ended January 31, 2012	Year Ended January 31, 2011
Audit Fees[(1)]	$60,000	$25,000
Audit-Related[(2)]	Nil	Nil
Tax Fees[(3)]	Nil	Nil
All Other Fees[(4)]	Nil	Nil
Total	**$60,000**	**$25,000**

Notes:
(1) aggregate fees billed for professional services rendered by the auditor for the audit of the Corporation's annual financial statements as well as services provided in connection with statutory and regulatory filings.
(2) aggregate fees billed for professional services rendered by the auditor and were comprised primarily of the review of quarterly financial statements and related documents.
(3) aggregate fees billed for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.
(4) aggregate fees billed for professional services which included accounting advice and advice related to relocating employees.

STATEMENT ON CORPORATE GOVERNANCE

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

Corporate governance relates to the activities of our Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by our Board and who are charged with the day to day management of the Corporation. Our Board is committed to sound corporate governance practices which are in the interest of the shareholders and also allow the Board to practice effective and efficient decision-making. National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**") establishes corporate governance guidelines which apply to all public companies. In light of these guidelines, we have instituted our own corporate governance practices, the disclosure of which is set out in accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices*) ("**NI 58-101**").

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

Board of Directors

The Board is currently composed of 8 directors. Form 58-102F1 suggests that the board of directors of every listed company should be constituted with a majority of individuals who qualify as "independent" directors under Multilateral Instrument 52-110 ("**MI 52-110**)", which provides that a director is independent if he or she has no direct or indirect "material relationship" with the company. "Material relationship" is defined as a relationship which could, in the view of the Corporation's board of directors, be reasonably expected to interfere with the exercise of a director's independent judgment. Of the directors, George Langdon, President and Chief Executive Officer, and R. Brian Murray, Chief Financial Officer, are "inside" or management directors and accordingly is considered not "independent". The remaining 6 directors are considered by the Board to be "independent", within the meaning of MI 52-110. In assessing Form 58-101F2 and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors.

Other Directorships

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

Name of Director	Reporting Issuer
Howard Hanick	Waymar Resources Inc.
John Clarke	Vena Resources Inc. CGX Energy Inc.
Donald Sheldon	Merus Labs International Inc. Nebu Resources Inc.
Norman D. Kelly	Range Energy Resources Inc.
R. Brian Murray	Process Capital Corp. Antioquia Gold Inc. Sea Green Capital Inc. Nebu Resources Inc. Rainbow Resources Inc.
George Langdon	Gulf Shores Resources Ltd.
	Monarch Energy Ltd.

Orientation and Continuing Education

The Board does not have a formal orientation or education program for its members. The Board's continuing education is typically derived from correspondence with the Corporation's legal counsel to

remain up to date with developments in relevant corporate and securities' law matters. Additionally, historically board members have been nominated who are familiar with the Corporation and the nature of its business.

Ethical Business Conduct

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

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

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

Nomination of Directors

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

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

Compensation

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

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

Other Board Committees

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

The function of the Disclosure Committee is to make recommendations to the Board with respect to the Corporation's continuous disclosure obligations. The Disclosure Committee members are currently Mr.

R. Brian Murray, Mr. Donald Sheldon and Mr. John Clarke. Mr. Sheldon and Mr. Clarke are independent. Mr. Murray is not independent by virtue of his management role with the Corporation.

Assessments

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

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

PLAN OF DISTRIBUTION

Offering of Units and Flow-Through Shares

Pursuant to the Agency Agreement, the Corporation will appoint the Agent as its agent for the Offering consisting of the sale to the public of, on a best efforts basis, a combination of Flow-Through Shares and Units at a price of $● per Flow-Through Share and/or $● per Unit, subject to a minimum of ● Units, equalling a minimum of $● and a maximum of $● in all Provinces of Canada, except Newfoundland and Labrador, Quebec, Prince Edward Island and Saskatchewan. In addition, the Corporation will grant to the Agent the Over-Allotment Option.

The Corporation has agreed to pay the Agent a fee equal to 7% of the gross proceeds of the Offering, including, for greater certainty, the gross proceeds raised pursuant to the Over-Allotment Option, and to grant to the Agent the Agent's Options to purchase that number of Common Shares equal to 7% of the total Units distributed pursuant to the Offering to investors not on the President's List and 3% of the total number of Units distributed pursuant to the Offering to investors on the President's List and that number of Common Shares equal to 7% of the total Flow-Through Shares distributed pursuant to the Offering to investors not on the President's List and 3% of the total number of Flow-Through Shares distributed pursuant to the Offering to investors on the President's List, exercisable at $● per Common Share. The Agent's Options and the Over-Allotment Option are qualified for distribution under this Prospectus. The Corporation has also agreed to reimburse the Agent for its expenses in connection with the Offering, subject to a maximum of $25,000 for fees of Agent's counsel, plus disbursements and HST. The Agent may make co-brokerage arrangements with other investment dealers at no additional cost to the Corporation, but are not obligated to purchase any Flow-Through Shares or Units which are not sold. The obligations of the Agent under the Agency Agreement may be terminated at the Agent's discretion on the basis of their assessment of the state of financial markets or upon the occurrence of certain events.

The Common Shares are currently listed for trading on the CNSX under the symbol "SHP". The Corporation has applied to list the Common Shares on the TSX Venture Exchange, which listing is subject to the Corporation fulfilling all of the listing requirements of the TSX Venture Exchange, including the distribution of the Common Shares to a minimum number of public shareholders.

This Offering is not underwritten and is subject to receipt by the Corporation of a minimum subscription of $●. The Corporation, together with the Agent, have agreed that a minimum of $● worth of Units must be sold for the Offering to be completed. The actual sales can comprise any combination of Flow-Through Shares and Units provided that the sale of the minimum number of Units is met. If the minimum subscription is not raised within 90 days of the issuance of a receipt for the final prospectus or such other time as may be consented to by persons or companies who subscribed within that period, and agreed to by the Agent, all subscription monies will be returned to subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent. All funds received from subscriptions for the Flow-Through Shares and Units will be held by the Agent pursuant to the terms of the Agency Agreement.

The Corporation is not a related or connected party (as such terms are defined in National Instrument 33-105 Underwriting Conflicts) to the Agent.

Other than payments to be made to the Agent as disclosed in this section, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with this Offering. The directors, officers and other insiders of the Corporation may purchase Flow-Through Shares and Units under this Offering, provided however, that any Flow-Through Shares and Units so purchased may be subject to the same escrow restrictions described under *"Escrowed Securities and other Securities Subject to Resale Restrictions- Escrowed Securities".*

The price of the Flow-Through Shares and Units will be determined between the Corporation and the Agent and the commission payable to the Agent was established through negotiation between the Corporation and the Agent.

The Agent reserve the right to offer selling group participation, in the normal course of the brokerage business, to selling groups of other licensed dealers, brokers and investment dealers, who may or may not be offered part of the commission or the Agent's Option to be received by the Agent pursuant to the Agency Agreement. The Corporation has granted the Agent a right of first refusal to provide future equity financing to the Corporation for a period of 24 months following the last Closing Date.

As at the date of this Prospectus, the Agent holds 627,637 Common Shares in the capital of the Corporation and 2,384,302 warrants of the Corporation.

Renunciation of Qualifying Expenditures

The Corporation will renounce to each subscriber for Flow-Through Shares, effective December 31, 2012, Qualifying Expenditures in an amount equal to the gross proceeds allocated to the Flow-Through Shares subscribed for in 2012. See *"Certain Canadian Federal Income Tax Considerations".*

See "*Description of Securities Distributed Pursuant to the Offering – Flow-Through Shares*" for a description of the renunciation of Qualifying Expenditures for the Flow-Through Shares and a description of the subscription of Flow-Through Shares pursuant to the Offering.

Closing

It is expected that the initial closing of the Offering will take place on or about ●, 2012, or such other date as may be agreed upon by the Agent and the Corporation, and additional closings may occur from time to time as agreed upon by the Agent and the Corporation provided that the final closing will occur within 90 days after the date of the receipt for the (final) Prospectus.

Subscription proceeds for the Units and Flow-Through Shares will be deposited with the Agent to be held in trust pending closing of the Offering. If a minimum of $● in subscription funds have not been received, and a minimum of ● Units have not been sold, on or prior to the date which is 90 days from the issuance of a receipt for this Prospectus (or such other date as the Corporation and/the Agent may mutually agree upon), any and all subscription funds will be returned to subscribers without interest or deduction.

Subscriptions for Units and Flow-Through Shares will be received subject to rejection or allotment in whole or in part by the Corporation and the right is reserved to close the subscription books at any time without prior written notice.

Subscription for the Units and Flow-Through Shares will be made by the Agent, or any sub-agents of the Agent, as agents for and on behalf of all subscribers of Units. Subscribers who place an order to purchase Units or Flow-Through Shares will be deemed to have authorized the Agent, or any sub-agents of the Agent, to execute, on its behalf, the applicable subscription agreement.

There will not be certificates representing the Units. Definitive certificates representing the Common Shares and Warrants comprising the Units and Flow-Through Shares subscribed for will be available for delivery at the time of closing of the Offering.

None of the securities offered hereunder or qualified for distribution hereunder have been and will not be registered under the 1933 Act or any state securities laws, and accordingly may not be offered or sold within the United States or to U.S. persons (as such term is defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Agency Agreement will permit the Agent to offer and resell the Units to certain accredited investors in the United States, provided such offers and sales were made in accordance with Regulation D under the 1933 Act.

As of the date of this prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a market place outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Irwin Lowy LLP, counsel to the Corporation, the following is a fair and adequate summary of the principal Canadian federal income tax considerations generally applicable to purchasers of Units and Flow-Through Shares who are, or are deemed to be, resident in Canada, who deal at arm's length with and are not affiliated with the Corporation and who hold such Units and Flow-Through Shares as capital property, all within the meaning of the Tax Act. The Units and Flow-Through Shares will generally be considered capital property to the holder thereof unless either the holder holds such Units and Flow-Through Shares in the course of carrying on a business or the holder has acquired the Units and Flow-Through Shares in a transaction or transactions considered to be an adventure in the nature of trade. In certain circumstances, Common Shares which would not otherwise qualify as capital property to a subscriber will be deemed to so qualify if the subscriber makes an irrevocable election as permitted by subsection 39(4) of the Tax Act in respect of all "Canadian securities" (within the meaning of the Tax Act) owned by such subscriber. This election is not available for Flow-Through Shares or Warrants and subscribers considering making such election should consult their own tax advisors.

This summary is based upon the provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations that have been publicly announced prior to the date hereof (the "**Proposed Amendments**") and counsel's understanding of the current published administrative practices of the CRA. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary does not apply to a subscriber: (i) that is a "principal-business corporation" within the meaning of the Tax Act; (ii) whose business includes trading or dealing in rights, licenses or privileges to explore for, drill for or take minerals, petroleum, natural gas or other related hydrocarbons; (iii) that is a "financial institution", "specified financial institution" or an interest in which constitutes a "tax shelter investment", all within the meaning of the Tax Act; or (iv) that is a partnership or trust.

This summary assumes that: (i) the Corporation will make all necessary tax filings in respect of the issuance of the Flow-Through Shares and the renunciation of Qualifying Expenditures in the manner and within the time required by the Tax Act and the Regulations; (ii) the Corporation will incur sufficient Qualifying Expenditures to enable it to renounce to subscribers all of the Qualifying Expenditures it agrees to renounce pursuant to the subscription agreement for Flow-Through Shares effective on the dates set out therein; and (iii) all expenses discussed herein will be reasonable in amount. This summary assumes that the Corporation will be a "principal-business corporation" at all material times and that each Flow-Through Share, when issued, will be a "flow-through share" and will not be a "prescribed share" or a "prescribed right", respectively, all within the meaning of the Tax Act.

The income tax consequences to a particular subscriber of an investment in Flow-Through Shares will vary according to a number of factors including the legal status of the subscriber as an individual, a trust, a corporation or a partnership, the province or provinces in which the subscriber resides, carries on business or has a permanent establishment and the amount that would be the subscriber's taxable income but for the investment in the Flow-Through Shares.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular subscriber and no representations with respect to the income tax consequences to any holder or prospective holder are made. Accordingly, each potential subscriber should obtain independent advice regarding the income tax consequences of investing in Units or Flow-Through Shares pursuant to this Offering with reference to the subscriber's own particular circumstances.

Subscriptions in Respect of Common Shares and Warrants

This portion of the summary applies to subscribers who acquire Units comprised of Common Shares and Warrants.

Common Shares

Dividends

Dividends received or deemed to be received on a Common Share by a Holder who is an individual (other than certain trusts) will be included in computing the individual's income and generally will be subject to

the gross-up and dividend tax credit rules that apply under the Tax Act to taxable dividends received from taxable Canadian corporations. A dividend will be eligible for the enhanced gross-up and dividend tax credit provided that such dividend is designated by the Corporation as an "eligible dividend" in accordance with the provisions of the Tax Act. Taxable dividends received by a Holder who is an individual (other than certain trusts) may give rise to alternative minimum tax under the Tax Act.

Dividends received or deemed to be received on a Common Share by a Holder that is a corporation will be included in computing the corporation's income and generally will be deductible in computing its taxable income. A Holder that is a "private corporation" (as defined in the Tax Act) or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a refundable tax under Part IV of the Tax Act at a rate of 33 1/3% on the dividends received or deemed to be received on a Common Share to the extent that such dividends are deductible in computing the Holder's taxable income.

Disposition of Common Shares

A Holder who disposes of or is deemed to have disposed of a Common Share, other than to the Corporation, generally will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition exceed (or are less than) the aggregate of the Holder's adjusted cost base thereof immediately before the disposition or deemed disposition and any reasonable costs of disposition. The Holder's adjusted cost base of a Common Share will be determined by averaging the cost allocated to such share with the adjusted cost base to the Holder of all other Common Shares, if any, held by the Holder as capital property at that time. See "Taxation of Capital Gains and Capital Losses" below for the tax treatment of capital gains and capital losses, and see "Warrants" below for the manner of determining the cost allocated to a Common Share issued on the exercise of a Warrant.

Taxation of Capital Gains and Capital Losses

Generally, a Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (the "**taxable capital gain**") realized by the Holder in the year. A Holder must deduct one-half of the amount of any capital loss (the "**allowable capital loss**") realized by the Holder in a taxation year against taxable capital gains realized by the Holder in such year, subject to and in accordance with the rules contained in the Tax Act. Any allowable capital losses in excess of taxable capital gains for the year of disposition may be carried back up to three years or carried forward indefinitely and deducted from net taxable capital gains realized by the Holder in such other years subject to and in accordance with the rules contained in the Tax Act.

The amount of any capital loss realized by a Holder that is a corporation on the disposition of a Common Share may, in certain circumstances, be reduced by the amount of dividends previously received or deemed to be received by such Holder on such share, to the extent and under the circumstances described in the Tax Act. Similar rules apply where a Holder that is a corporation is directly or through a partnership or a trust, a member of a partnership or beneficiary of a trust which itself owns such shares. Such Holders should consult their own tax advisors.

A capital gain realized on the disposition of a Common Share or Warrant by a Holder who is an individual (other than certain trusts) may give rise to alternative minimum tax under the Tax Act.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout the year may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, which includes taxable capital gains.

Warrants

Exercise or Expiry of Warrants

A Holder will not realize any gain or loss upon the exercise of a Warrant. The Holder's cost of a Common Share acquired by exercising a Warrant will be equal to the aggregate of the Holder's adjusted cost base of the Warrant exercised and the exercise price paid for the Common Share. The Holder's adjusted cost base of the Common Share so acquired will be determined by averaging the cost of such Common Share with the adjusted cost base to the Holder of all other Common Shares held as capital property by such Holder at that time.

In the event of the expiry of an unexercised Warrant, the Holder generally will realize a capital loss equal to the Holder's adjusted cost base of such Warrant immediately before its expiry. See "Taxation of Capital Gains and Capital Losses" above for the tax treatment of capital gains and capital losses.

Other Dispositions of Warrants

A Holder who disposes of or is deemed to have disposed of a Warrant (other than a disposition arising on the exercise or expiry of a Warrant) generally will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition exceed (or are less than) the Holder's adjusted cost base thereof immediately before the disposition or deemed disposition and any reasonable costs of disposition. See "Taxation of Capital Gains and Capital Losses" above for the tax treatment of capital gains and capital losses.

Subscriptions in Respect of Flow-Through Shares

This portion of the summary applies to subscribers who acquire Flow-Through Shares.

Renunciation of Qualifying Expenditures

Subject to certain limitations and restrictions, a principal business corporation that incurs CEE with funds received from a subscriber pursuant to an agreement for the issue of "flow-through shares" (as defined in the Tax Act) will be entitled to renounce the Qualifying Expenditures to the subscribers of the "flow-through shares" and the Qualifying Expenditures so renounced will be deemed to have been Qualifying Expenditures incurred by such subscribers on the effective date of the renunciation. Certain "off the shelf" seismic data is excluded from Qualifying Expenditures, including the cost of seismic data or any expenditures made for the use of seismic data incurred or made at a particular time, except where neither the seismic data nor any right to acquire the seismic data had been previously acquired before such time and all or substantially all of the seismic data resulted from work performed no earlier than one year before that time.

The Corporation will be entitled to renounce Qualifying Expenditures incurred by it following the subscription for Flow-Through Shares and for up to 24 months after the end of the month in which the subscription agreements are accepted by the Corporation less: (i) any previous renunciations with respect to such Qualifying Expenditures; (ii) any portion of such Qualifying Expenditures which are prescribed under the Tax Act as relating to Canadian exploration and development overhead expenses; and (iii) any assistance that the Corporation has received, is entitled to receive, or may reasonably be expected to receive at any time which is reasonably related to such Qualifying Expenditures. The Corporation may not renounce to subscribers an amount in excess of the Flow-Through Funds. The Tax Act also restricts the amount of Qualifying Expenditures which the Corporation can renounce to the extent that, but for the

renunciation, the Corporation would be entitled to claim a deduction in respect of the Qualifying Expenditures in computing its income for purposes of the Tax Act.

Qualifying Expenditures incurred within a particular calendar year and renounced to subscribers effective on or before December 31 of that calendar year will be deemed to have been Qualifying Expenditures incurred by such subscribers on the effective date of the renunciation in that particular calendar year. The Tax Act provides that certain Qualifying Expenditures which a principal business corporation has incurred or plans to incur in the year following a particular calendar year may be renounced effective December 31 of the particular calendar year. This 12 month look-back rule will apply where the cash proceeds from the subscription for flow-through shares are received by the Corporation before the end of the particular calendar year, such expenses are renounced in January, February or March of the following calendar year and the subscriber to which such Qualifying Expenditures are renounced deals at arm's length with the Corporation throughout the following calendar year.

If Qualifying Expenditures renounced pursuant to this 12 month look-back rule are not actually incurred by the Corporation by the end of the year following the particular calendar year, the amount of Qualifying Expenditures renounced to subscribers must be reduced by the amount not actually incurred by the Corporation. A subscriber will not be liable for any penalty and will not be required to pay interest on any resulting increase in income tax payable in a particular calendar year as a result of such a reduction in Qualifying Expenditures until after the month of April two years following the particular calendar year. Where the Corporation renounces Qualifying Expenditures pursuant to this 12 month look-back rule, the Corporation will be liable to pay a deductible charge for each month (other than January) in the year during which the Qualifying Expenditures must be incurred equal to the amount of renounced expenses which have not been incurred by the end of the particular month multiplied by 1/12 of the prescribed interest rate at that time for refund interest purposes under the Tax Act.

The Corporation has agreed to incur Qualifying Expenditures in an amount equal to the Flow-Through Funds received on the sale of Flow-Through Shares on or before December 31, 2013 and has agreed to renounce such Qualifying Expenditures effective no later than December 31, 2012.

Deduction for Qualifying Expenditures

CEE will be added to the cumulative CEE ("**CCEE**") account of such subscriber. A subscriber may deduct in computing income from all sources for a taxation year, such amount as may be claimed not exceeding 100% of the subscriber's CCEE account at the end of a taxation year. To the extent that a subscriber does not deduct the balance of the subscriber's CCEE account, at the end of a taxation year, the balance will be carried forward and the subscriber will be entitled to claim deductions in respect thereof in subsequent taxation years, subject to the rules regarding an acquisition of control of a corporate subscriber.

A subscriber for Flow-Through Shares who disposes of the Flow-Through Shares will retain the entitlement to the renunciation of Qualifying Expenditures from the Corporation as described above as well as the ability to deduct any CCEE not previously deducted, and a subsequent purchaser of such Flow-Through Shares will not be entitled to such renunciations.

Computation of Adjusted Cost Base

The cost of Flow-Through Shares is deemed to be nil under the Tax Act, subject to the averaging rules discussed above under "Exercise or Expiry of Warrants"..

Disposition of Flow-Through Shares

Any disposition or deemed disposition of Flow-Through Shares by a subscriber (other than to the Corporation) will result in the realization of a capital gain (or capital loss) in the taxation year of the disposition to the extent the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the disposed property and any reasonable costs of disposition.

The taxation of capital gains and capital losses realized by a subscriber of Flow-Through Shares is the same as described above under "Taxation of Capital Gains and Capital Losses".

Minimum Tax on Individuals

Pursuant to the minimum tax rules, the tax otherwise payable under Part I of the Tax Act by an individual (other than certain trusts) will not be less than a minimum amount computed by reference to his or her adjusted taxable income for the year.

For the purposes of the Tax Act, the minimum amount generally means the amount by which 15% of adjusted taxable income in excess of $40,000 for the year exceeds the total of certain tax credits. Adjusted taxable income is taxable income as otherwise determined plus certain additional amounts which were deducted in arriving at taxable income and certain amounts not otherwise included are included. Such additions include any deduction for CEE to the extent that the deduction exceeds the subscriber's resource income before deducting such CEE and carrying charges which relate to an investment in flow-through shares (to the extent that the deduction for such carrying charges exceeds the subscriber's resource income after deductions for resource expenses, including CEE). In addition, 80% of any net capital gains realized by the subscriber are included in adjusted taxable income, rather than 50%. To the extent that minimum tax exceeds tax otherwise payable in a particular year, such excess may be applied in any of the seven following years to reduce ordinary tax otherwise payable. Whether and to what extent the tax liability of a particular subscriber will be increased by the alternative minimum tax will depend on the amount of such subscriber's income, the sources from which it is derived and the nature of any deductions such subscriber claims.

Cumulative Net Investment Loss

One-half of the amount of Qualifying Expenditures renounced to a subscriber will be added to the subscriber's cumulative net investment loss ("**CNIL**") account. A subscriber's CNIL account may impact a subscriber's ability to access the $750,000 capital gains exemption available on the disposition of certain qualifying small business corporation shares and farm property.

RISK FACTORS

The securities offered hereby should be considered highly speculative due to the nature of the Corporation's business and the present stage of its development. A prospective investor should consider carefully the risk factors set out below. In addition, prospective investors should carefully review and consider all other information contained in the prospectus before making an investment decision. An investment in securities of the Corporation should only be made by persons who can afford a significant or total loss of their investment.

Operating History

The Corporation has a very limited history of operations, is in the early stage of development and must be considered a start-up. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Corporation has no intention of paying any dividends in the foreseeable future.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Corporation will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The Corporation currently has a limited number of specific identified exploration or development prospects. Management will continue to evaluate prospects on an ongoing basis in a manner consistent with industry standards and their past practices. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Corporation will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. The Corporation has not entered into any contracts relating to the acquisition or participation in any properties other than as set forth herein nor have any letters of intent been executed.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Insurance

The Corporation's involvement in the exploration for and development of oil and gas properties may result in the Corporation becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Corporation will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations or prospects.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Corporation. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of the Corporation's oil and gas reserves. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Corporation's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, bank borrowings available to the Corporation are in part determined by the borrowing base of the Corporation. A sustained material decline in prices from historical average prices could limit or reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation, and could require that a portion of any existing bank debt of the Corporation be repaid.

In addition to establishing markets for its oil and natural gas, the Corporation must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. The Corporation will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by the Corporation. The ability of the Corporation to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Corporation will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Corporation has limited direct experience in the marketing of oil and natural gas.

Substantial Capital Requirements

The Corporation anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Corporation's revenues or reserves decline, the Corporation may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization

significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations or prospects.

Competition

The Corporation actively competes for reserve acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than the Corporation. The Corporation's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

The oil and gas industry is highly competitive. The Corporation's competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than the Corporation.

Certain of the Corporation's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect the Corporation's ability to sell or supply oil or gas to these customers in the future. The Corporation's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids reserves and cash flows to be derived therefrom, including many factors beyond the Corporation's control. Reserve and associated cash flow information once complied will represent estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital

expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. For those reasons, any estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, if any, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Reserve Replacement

The Corporation's future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on the Corporation successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on the Corporation's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Corporation's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Title to Assets

Although the Corporation has reviewed and is satisfied with title for any properties in which it has a material interest, the Corporation has not obtained title reports on any of its properties and there is no guarantee that title to such properties will not be challenged or impugned. While title reviews will generally be conducted prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Corporation's claim which could result in a reduction of the revenue received by the Corporation.

Reliance on Operators and Key Employees

The Corporation may not be the operator of certain oil and gas properties in which it acquires an interest. To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators. In addition, the success of the Corporation will be largely dependent upon the performance of its management and key employees. Investors must also rely on the expertise and judgment of management of the Corporation. Failure to retain key individuals or to attract or retain additional key individuals with recovery skills could have a materially adverse impact upon the Corporation's success. The Corporation does not have any key man insurance policies and has no current plans to obtain any; therefore there is a risk that the death or departure of any director, member of management or any key employee could have a material adverse effect on the Corporation.

Corporate Matters

To date, the Corporation has not paid any dividends on its outstanding Common Shares and does not anticipate the payment of any dividends on its Common Shares for the foreseeable future. Certain of the directors and officers of the Corporation are also directors and officers of other oil and gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Corporation and as officers and directors of such other

companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the ABCA.

Permits and Licenses

The operations of the Corporation may require licenses and permits from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects.

Additional Funding Requirements and Dilution of Investment

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favourable terms. The terms of any such equity financing may be dilutive to holders of Common Shares.

Issuance of Debt

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Third Party Credit Risk

The Corporation is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

Exchange Rate Fluctuations

Exchange rates may affect the costs that the Corporation incurs in its exploration activities. The Corporation's costs are incurred principally in Canadian dollars. The appreciation of non-Cdn dollar currencies against the Cdn dollar can increase the exploration costs. The Corporation does not have any

currency hedging policy in place. Sudden fluctuation in the Cdn dollar may affect the Corporation's exploration activities and financial results, and there is no assurance that such fluctuations, in any, will not adversely affect the Corporation's operations.

Equity Price Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Corporation. The Corporation is exposed to fair value fluctuations on its investments. The Corporation's other financial instruments (cash, accounts receivable, accounts payable and accrued liabilities) are not subject to price risk.

Estimation of Asset Carrying Values

The Corporation will undertake an annual evaluation of its portfolio of exploration projects and other assets. The recoverability of the Corporation's carrying values of its properties will be assessed by comparing carrying values to estimated future net cash flows from each property.

Factors which may affect carrying values include, but are not limited to, oil and natural gas prices, capital cost estimates, exploration, development, production, drilling, and other operating costs, and timing of production. In the event of a prolonged period of depressed oil and natural gas prices, the Corporation may be required to take additional material write-downs of its exploration and development projects.

Volatility of Share Price

The price of the shares of resource companies tends to be volatile. Fluctuations in the world price of oil and natural gas and many other natural resources beyond the control of the Corporation could materially affect the price of the Common Shares.

Current global financial condition

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing and bank credit has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These and other factors may affect the Corporation's ability to obtain equity or debt financing in the future on favourable terms. Additionally, these factors, as well as other related factors, may cause decreases in the Corporation's asset values that may be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, or if more extensive disruptions of the global financial markets occur, the Corporation's operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

Short term investment risks

The Corporation may from time to time invest excess cash balances in short term commercial paper or similar securities. Recent market conditions affecting certain types of short term investments of some North American and European issuers as well as certain financial institutions have resulted in restricted liquidity for these investments. There can be no guarantee that further market disruptions affecting various short term investments or the potential failure of such financial institutions will not have a negative effect on the liquidity of investments made by the Corporation.

Shares Reserved For Future Issuance

Options and warrants are likely to be exercised when the market price of the Common Shares exceeds the exercise price of such options or warrants. The exercise price of such options or warrants and the subsequent resale of such Common Shares in the public market could adversely affect the prevailing market price and the Corporation's ability to raise equity capital in the future at a time and price when it deems appropriate. The Corporation may also enter into commitments in the future which would require the issuance of additional Common Shares and the Corporation may grant additional Common Share purchase warrants and stock options. Any Common Share issuances from the Corporation's treasury will result in immediate dilution to existing shareholders.

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Corporation is exposed to credit risk with respect to its cash and accounts receivable. The Corporation tries to reduce its credit risk by maintaining its primary bank accounts at large financial institutions. The Corporation assesses its credit risk based on general market knowledge and specific information obtained through its business relationships.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure. Management will continue to raise capital to fund the Corporation's exploration, development and feasibility expenditures and for general and administrative costs.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates. While the Corporation manages its operations in order to minimize exposure to risk, the Corporation has not entered into any derivatives or contract to hedge or otherwise mitigate this exposure.

Greenhouse Gases

Under the Copenhagen Accord, Canada committed to reduce its greenhouse gas emissions to 17% below 2005 levels. The Corporation's exploration and production facilities and other operations and activities will emit a small amount of greenhouse gases which may subject the Corporation to legislation regulating emissions of greenhouse gases. The Government of Canada has stated that it intends to introduce new regulations in key sections, including oil and gas, until Canada reaches its emission target. Future federal legislation, together with provincial emission reduction requirements, may require the reduction of emissions or emissions intensity with the Corporation's operations and facilities. The direct or indirect costs of these regulations may adversely affect the business of the Corporation.

Industry Conditions

The oil and gas industry is subject to extensive controls and regulations imposed by various levels of government. Outlined below are some of the more significant aspects of the legislation, regulations and agreements governing the oil and gas industry. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted.

Canadian Government Regulation

The oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulations will affect the operations of the Corporation in a manner materially different than they would affect other oil and gas companies of similar size.

Pricing and Marketing - Oil

In Canada, producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. Oil exports may be made pursuant to export contracts with terms not exceeding one year in the case of light crude, and not exceeding two years in the case of heavy crude, provided that an order approving any such export has been obtained from the NEB. Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issue of such a licence requires the approval of the Governor in Council.

Pricing and Marketing - Natural Gas

In Canada, the price of natural gas sold in interprovincial and international trade is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts continue to meet certain criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than two years or for a term of two to 20 years (in quantities of not more than 30,000 m3/day), must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export licence from the NEB and the issue of such a licence requires the approval of the Governor in Council.

Certain provincial governments also regulate the volume of natural gas which may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements and market considerations.

The North American Free Trade Agreement

On January 1, 1994, NAFTA became effective among the governments of Canada, the United States of America and Mexico. NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports to the United States of America or Mexico will be allowed provided that any export restrictions do not: (i) reduce the proportion of energy resource exported relative to domestic use (based upon the proportion prevailing in the most recent 36 month period), (ii) impose an export price higher than the domestic price, and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. NAFTA also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements, which is important for Canadian natural gas exports.

Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced.

From time to time the governments of Canada, have established incentive programs which have included royalty rate reductions, royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects.

Canadian Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulation pursuant to provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain oil and gas industry operations. In addition, legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines and penalties.

PROMOTERS AND PAST PROMOTERS OF THE CORPORATION

George Langdon may be considered to be a current promoter of the Corporation in that he, along with John Wright, took the initiative in founding and organizing the Corporation.

Mr. Langdon holds, directly and indirectly, 7,239,550 (2.65%),● (●%) of the issued and outstanding Common Shares after giving effect to a Minimum Offering and ● (●%),of the issued and outstanding Common Shares after giving effect to a Maximum Offering. Additionally, Mr. Langdon holds 1,850,000 options and 2,326,010 warrants to purchase Common Shares. See "*Prior Sales*" and "*Executive Compensation*".

In September of 2009, Mr. Langdon was the President and director of Shoal Point Energy Ltd., a private company, when the company filed a notice to make a proposal for the benefit of its creditors under the *Bankruptcy and Insolvency Act* (Canada), for which proposal more than 90% of the creditors of the company voted in favour. On or about November 17, 2009, the company's proposal was approved by the Court of Queen's Bench of Alberta, in the Judicial District of Calgary, and was subsequently effected by the company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as described below the Corporation is not aware of any material legal proceedings involving the Corporation or its properties as at the date of this Prospectus and the Corporation knows of no such proceedings currently contemplated.

Other than as described below no penalties or sanctions have been imposed against the Corporation relating to provincial or territorial securities legislation, by a court or securities regulatory authority within the past three years immediately preceding the date of this Prospectus. No other penalties or

sanctions have been issued against the Corporation by a court or regulatory authority necessary for the Prospectus to contain full, true and plain disclosure of all material facts. The Corporation has not entered into any settlement agreements before a court or securities regulatory authority relating to provincial or territorial securities legislation within the past three years immediately preceding the date of this Prospectus.

The Corporation has received a letter dated June 7, 2012 from Bennett Jones LLP (counsel to Corridor Resources Inc.) requesting payment of $237,715.67 in connection with the operation and demobilization of the Nabors Rig #112 at the Corporation's 3K-39 well. Corridor has requested payment prior to June 22, 2012 at which time if no payment is received they will commence proceedings against the Corporation in the Court of Queen's Bench of Alberta.

AUDITORS, REGISTRAR AND TRANSFER AGENT

The current auditor of the Corporation is Collins Barrow Toronto LLP, 11 King Street West, Suite 700, Toronto, Ontario, M5H 4C7.

The former auditor of the Corporation was Schwartz Levitsky Feldman LLP, 2300 Yonge Street, Suite 1500, Toronto, Ontario, M4P 1E4.

The Corporation's registrar and transfer agent is Olympia Transfer Services Inc., located at 120 Adelaide St. West, Suite 920, Toronto, Ontario, M5H 1T1. Olympia has also been appointed the warrant agent under the Warrant Indenture.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or principal shareholder of the Corporation, or associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the preceding three years or in the current financial year or in any proposed transaction that has materially affected or will materially affect the Corporation.

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. See "*Directors, Officers and Key Personnel of the Corporation*". Conflicts, if any, will be subject to the procedures and remedies available under the *Business Corporations Act* (Alberta). The *Business Corporations Act* (Alberta) provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the *Business Corporations Act* (Alberta).

MATERIAL CONTRACTS

The only material contracts entered into or proposed to be entered into by the Corporation, or on its behalf, since incorporation, other than contracts in the ordinary course of business, are as follows:

- The agency agreement dated July 4th, 2012 between the Corporation and the Agent.

Copies of these agreements, when executed, may be inspected at the head office of the Corporation at 65 Queen Street West, Suite 501, Toronto, Ontario M5H 2M5 or at the offices of Irwin Lowy LLP, legal counsel to the Corporation, at 130 Adelaide Street West, Suite 1010, Toronto, Ontario M5H 3P5 during normal business hours during the course of distribution of the Units and Flow-Through Shares.

EXPERTS

Certain legal matters in connection with the Offering are being reviewed on behalf of the Corporation by Irwin Lowy LLP, 130 Adelaide Street West, Suite 1010, Toronto, Ontario, M5H 3P5 and on behalf of the Agent by Beard Winter LLP, 130 Adelaide Street West, Suite 700, Toronto, Ontario M5H 2K4.

Reserve estimates of the Corporation contained in certain of the documents incorporated by reference in this Prospectus are based upon reports prepared by Robin G. Bertram, P. Eng, and L.D. Boyd, P. Geol. of Deloitte & Touche LLP.

The following professional persons have prepared reports or have provided opinions that are either included in or referred to in this Prospectus:

- Robin G. Bertram, P. Eng, and L.D. Boyd, P. Geol. of Deloitte & Touche LLP;
- Collins Barrow Toronto LLP; and
- Schwartz Levitsky Feldman LLP.

Except as disclosed herein, none of the above experts or any director, officer, partner, associate or employee thereof received or will receive a direct or indirect interest in the property of the Corporation or of any associate or affiliate of the Corporation. As at the date hereof, the aforementioned companies and partnerships, and all directors, officers, employees and partners thereof, do not beneficially own, directly or indirectly, any of the securities of the Corporation and its associates and affiliates. In addition, no other director, officer, partner or employee of any of the aforementioned companies and partnerships is currently expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associates or affiliates of the Corporation.

OTHER MATERIAL FACTS

There are no other material facts relating to the Corporation other than as disclosed herein.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus or any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. **The purchaser should refer to any**

applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITOR'S CONSENT

We have read the Prospectus of Shoal Point Energy Ltd. (the "Corporation") dated July ●, 2012 relating to the securities of the Corporation offered by this Prospectus. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned Prospectus of our report to the shareholders of the Corporation on the consolidated statement of financial position of the Corporation as at January 31, 2012 and the related consolidated statements of operations and comprehensive loss, cash flows, and changes in shareholders' equity for the year then ended January 31, 2012. Our report is dated May 30, 2012.

●

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario

July ●, 2012

AUDITORS' CONSENT

We have read the Prospectus of Shoal Point Energy Ltd. (the "Corporation") dated July ●, 2012 relating to the securities of the Corporation offered by this Prospectus. We have complied with Canadian generally accepted accounting principles for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned Prospectus of our report to the shareholders of the Corporation on the consolidated statement of financial position of the Corporation as at January 31, 2011 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. Our report is dated May 30, 2011.

●
Licensed Public Accountants
Chartered Accountants
Toronto, Ontario

July ●, 2012

SCHEDULE “A”

FINANCIAL STATEMENTS

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED APRIL 30, 2012 AND 2011

INDEX

Notice to Reader	1
Interim Consolidated Statements of Financial Position	2
Interim Consolidated Statements of Operations and Comprehensive Loss	3
Interim Consolidated Statements of Changes in Shareholders' Equity	4
Interim Consolidated Statements of Cash Flows	5
Notes to the Interim Consolidated Financial Statements	6 - 21

Notice to Reader – From Shoal Point Energy Ltd.

The interim unaudited consolidated financial statements of Shoal Point Energy Ltd. (the "Company") including the accompanying consolidated statements of financial position as at April 30, 2012 and January 31, 2012 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the three month period ended April 30, 2012 and 2011 are the responsibility of the Company's management. The interim unaudited consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgements and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim consolidated financial statements.

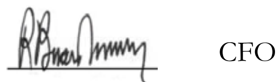
SHOAL POINT ENERGY LTD.
(An Exploration Stage Enterprise)
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(UNAUDITED)

	April 30, 2012	January 31, 2012
ASSETS		
Current		
Cash	$ **964,747**	$ 857,656
Accounts receivable (Note 6)	**1,030,160**	358,571
Loans receivable (Note 7)	**309,234**	304,734
Prepaid expenses and deposit (Note 8)	**2,612,487**	2,223,064
	4,916,628	3,744,025
OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT (Note 10)	**34,503,455**	27,583,038
	$ **39,420,083**	$ 31,327,063
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**3,424,461**	1,916,990
Flow-through share premium renunciation	**290,366**	-
Provision for well suspension (Note 12)	**200,000**	200,000
Convertible debt (Note 9)	**300,000**	300,000
	4,214,827	2,416,990
SHAREHOLDERS' EQUITY		
Share capital (Note 11(a))	$ **50,625,949**	45,099,943
Warrants (Note 11(c))	**8,586,697**	7,236,596
Contributed surplus (Note 11(d))	**2,591,190**	2,585,839
Deficit	**(26,598,580)**	(26,012,305)
	35,205,256	28,910,073
	$ **39,420,083**	$ 31,327,063

COMMITMENTS AND CONTINGENCIES (Note 13)
SUBSEQUENT EVENTS (Note 16)

Approved on behalf of the board:

President

 CFO

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

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS FOR THE THREE MONTH PERIODS ENDED APRIL 30,

(UNAUDITED)

		2012		2011
Expenses				
Office, general and administrative	$	221,835	$	92,169
Directors' fees		5,000		-
Management fees (Note 14)		120,000		46,000
Consulting fees		106,437		134,418
Stock-based compensation		17,571		70,282
Professional fees		102,693		15,890
Depreciation		516		165
Rent		34,713		14,485
Part XII.6 interest and taxes		-		510
Loss from operations		608,765		373,919
Interest and other income		(22,490)		(796)
Net loss and comprehensive loss for the period		(586,275)		(373,123)
Loss per share				
Basic and fully diluted (Note 15)	$	(0.00)	$	(0.00)
Weighted average number of common shares outstanding		260,267,724		160,982,061

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

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIODS ENDED APRIL 30, 2012 and 2011

(UNAUDITED)

	Share capital		Warrants				
	Number of shares	Amount	Number of warrants	Amount	Contributed Surplus	Deficit	Total
Balance, February 1, 2011	139,183,497	$ 24,717,298	43,415,579	$ 5,117,021	$ 2,152,486	$ (24,126,541)	$ 7,860,264
Shares issued for cash (net of unrenounced flow-through premium)	24,895,237	9,491,199	-	-	-	-	9,491,199
Proceeds on exercise of warrants	462,500	95,375	-	-	-	-	95,375
Fair value of options granted	-	-	-	-	70,282	-	70,282
Fair value of warrants	-	-	-	160,734	-	-	160,734
Share issuance costs	-	(348,791)	-	-	-	-	(348,791)
Net loss for the period	-	-	-	-	-	(373,123)	(373,123)
Balance, April 30, 2011	164,541,234	$ 33,955,081	43,415,579	$ 5,277,755	$ 2,222,768	$ (24,499,664)	$ 16,955,940

	Number of shares	Amount	Number of warrants	Amount	Contributed Surplus	Deficit	Total
Balance, February 1, 2012	240,240,750	$ 45,099,943	86,993,035	$ 7,236,596	$ 2,585,839	$ (26,012,305)	$ 28,910,073
Shares issued for cash (Note 11(a)(i))	21,777,793	5,903,408	-	-	-	-	5,903,408
Shares issued for property (Note 11(a)(ii))	1,000,000	280,000	-	-	-	-	280,000
Shares issued upon exercise of warrants	646,559	166,407	-	-	-	-	166,407
Shares issued upon exercise of options	200,000	62,220	-	-	-	-	62,220
Fair value of options granted	-	-	-	-	17,571	-	17,571
Options exercised	-	-	-	-	(12,220)	-	(12,220)
Premium on flow-through share issuances	-	(290,366)	-	-	-	-	(290,366)
Broker warrants issued (Note 11(a)(i))	-	-	1,303,666	178,660	-	-	178,660
Warrants issued upon unit financings (Note 11(a)(i))	-	-	10,888,897	1,096,592	-	-	1,096,592
Adjustment for previously issued shares	865,000	-	-	-	-	-	-
Warrants issued for property (Note 11(a)(ii))	-	-	1,000,000	125,807	-	-	125,807
Warrants exercised	-	-	(646,559)	(50,958)	-	-	(50,958)
Shares issue costs (Note 11(a)	-	(595,663)	-	-	-	-	(595,663)
Net loss for the period	-	-	-	-	-	(586,275)	(586,275)
Balance, April 30, 2012	264,730,102	$ 50,625,949	99,539,039	$ 8,586,697	$ 2,591,190	$ (26,598,580)	$ 35,205,256

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

SHOAL POINT ENERGY LTD.
(An Exploration Stage Enterprise)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDED APRIL 30,
(UNAUDITED)

	2012	2011
Cash flows from operating activities		
Net loss for the period	$ **(586,275)**	$ (373,123)
Adjustments not effecting cash:		
Depreciation	**516**	165
Stock-based compensation	**17,571**	70,282
Interest income	**(4,500)**	-
	(572,688)	(302,676)
Changes in non-cash working capital		
Accounts receivable	**(671,589)**	(3,141,843)
Prepaid expenses and deposits	**(389,423)**	(598,606)
Accounts payable and accrued liabilities	**1,507,471**	(128,423)
Cash flows used in operating activities	**(126,229)**	(4,171,548)
Cash flows from investing activities		
Purchase of capital assets	**-**	(3,307)
Acquisition of oil and natural gas properties	**(6,515,127)**	(4,811,252)
Cash flows used in investing activities	**(6,515,127)**	(4,814,559)
Cash flows from financing activities		
Short-term loan	**-**	2,200,000
Issuance of common shares	**7,165,450**	9,860,075
Share issue costs	**(417,003)**	(348,791)
Cash flows provided by financing activities	**6,748,447**	11,711,284
Net increase in cash	**107,091**	2,725,177
Cash, beginning of period	**857,656**	430,516
Cash, end of period	$ **964,747**	$ 3,155,693

The accompanying notes are an integral part of these interim 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 interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim consolidated financial statements for the three months ended April 30, 2012 (including comparatives) were approved and authorized for issue by the board of directors on June 28, 2012.

The accounting policies applied in preparing the interim consolidated financial statements for the three months ended April 30, 2012 and April 30, 2011 are set out in Note 3, and are the same as those applied in preparing the Company's annual consolidated financial statements.

Basis of Measurement and Principles of Consolidation

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

The interim consolidated financial statements includes all the accounts of the Company and all of its subsidiaries and investments. The interim 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 interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Shoal Point Energy Inc.

Functional and Presentation Currency

These interim 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 interim consolidated financial statements in conformity with IFRS requires that management make estimates and assumptions about future events that affect the amounts reported in the interim consolidated financial statements and related notes to the interim 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

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.

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 interim consolidated financial statements.

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).

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.

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. 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.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

As at April 30, 2012 the Company held cash of $964,747 (January 31, 2012 - $857,656).

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.

5. CAPITAL MANAGEMENT

The Company defines its capital to manage as the components of shareholders' equity which as at April 30, 2012 was $35,205,256 (January 31, 2012 - $28,910,073).

There were no changes in the Company's approach to capital management during the period ended April 30, 2012 and the Company is not subject to any externally imposed capital requirements, other than its expenditure requirements on its flow-through shares.

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.

6. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

		April 30, 2012		January 31, 2012
GST/HST receivable	$	1,014,744	$	321,843
Subscription receivable		500		20,850
Other receivable		14,916		15,878
	$	1,030,160	$	358,571

7. LOANS RECEIVABLE

Loans receivable of $309,234 (January 31, 2012 - $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.

8. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of the following:

		April 30, 2012		January 31, 2012
(i) Property deposits	$	2,000,000	$	2,000,000
(ii) Property well costs advanced		562,700		200,911
Other		49,787		22,153
	$	2,612,487	$	2,223,064

(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, 2012 - $2,000,000 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 13 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 April 30, 2012 have not been spent.

9. CONVERTIBLE DEBT

		April 30, 2012		January 31, 2012
Convertible debt	$	300,000	$	300,000

Convertible debt as at April 30, 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.

10. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

	Oil and natural gas properties	Website	Computer equipment	Computer software	Total
Cost					
Balance at January 31, 2012	$ 27,572,714	$ 6,225	$ 7,105	$ 5,261	$ 27,591,305
Additions	6,920,933	-	-	-	6,920,933
Balance at April 31, 2012	**$ 34,493,647**	**$ 6,225**	**$ 7,105**	**$ 5,261**	**$ 34,512,238**
Accumulated Amortization					
Balance at January 31, 2012	$ -	$ 3,835	$ 3,352	$ 1,080	$ 8,267
Amortization for the period	-	120	187	209	516
Balance at January 31, 2012	**$ -**	**$ 3,955**	**$ 3,539**	**$ 1,289**	**$ 8,783**
Carrying Amounts					
As at January 31, 2012	$ 27,572,714	$ 2,390	$ 3,753	$ 4,181	$ 27,583,038
As at April 30, 2012	**$ 34,493,647**	**$ 2,270**	**$ 3,566**	**$ 3,972**	**$ 34,503,455**

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

Western Newfoundland

At April 30, 2012 the Company holds a 100% working interest in the Offshore Exploration License #1070 (“EL #1070”) Shallow Rights, a 100% 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").

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 April 30, 2012, the Company had not earned any working interest in EL #1120.

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.

On March 21, 2012 the shareholders of NWest approved the second transfer (the "Second Transfer") of the remaining 50% interest in EL #1097R to the Company. 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. Total consideration paid for the Second Transfer amounted to $405,807. The total fair value of the consideration received from NWest for the acquisition could not be reliably measured and accordingly, the Company measured the fair value of the consideration received indirectly by reference to the fair value of the share-based payment consideration that the Company issued.

If the Company spuds a well on the property covered by EL #1097R, 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. A well must be spudded on the property by January 15, 2013, with an extension given to January 15, 2014 if a further $1,000,000 property deposit is made to the Canada-Newfoundland and Labrador Petroleum Board.

11. EQUITY INSTRUMENTS

(a) **Share Capital**

Shares issued during period ended April 30, 2012

(i) In February 2012, the Company completed two financings to raise a total of $7,000,000. 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 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, the Compnay 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 valued at $33,685 pursuant to the financing. The second financing raised gross proceeds of $6,000,000. This second financing included the issuance of 10,864,375 units at a price of $0.32 per unit where each unit included a common share and 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 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, the Company paid cash commissions of $357,003 and issued 1,081,444 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 valued at $144,975 pursuant to the financing.

(ii) On March 21, 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 second 50% interest in EL 1097R (see Note 10). Each warrant issued entitles the holder to acquire one common share of the Company for a strike price of $0.39 per a share for a two-year period from the date of issuance. Total share consideration for the 50% transfer amounted to $280,000 and the total value of the warrants issued amounted to $125,807.

(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 April 30, 2012.

The following table summarizes information concerning the Company's stock options outstanding as at April 30, 2012:

	Number of Options	Weighted Average Exercise Price
Outstanding as at January 31, 2012	16,575,000	$ 0.27
Exercised	(200,000)	0.25
Outstanding as at April 30, 2012	**16,375,000**	**$ 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 April 30, 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	1,325,000	$ 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
		16,375,000		

Stock-based compensation recognized during the period was $17,571 for options that vested during the period. 1,500,000 options that vest over a twelve month period were granted on October 26, 2011, of which 649,315 options remain unvested as at April 30, 2012.

(c) **Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the period ended April 30, 2012:

	Number of warrants	Amount	Weighted-average Strike Price
Opening, January 31, 2012	86,993,035	$ 7,236,596	$ 0.41
Warrants issued upon unit financings	10,888,897	1,096,592	0.42
Broker Warrants issued	1,303,666	178,660	0.31
Warrants issued for property	1,000,000	125,807	0.39
Warrants exercised	(646,559)	(50,958)	0.18
Outstanding and exercisable - April 30, 2012	99,539,039	$ 8,586,697	$ 0.41

The fair value of warrants issued upon unit financings during the period ended April 30, 2012 of $1,096,592 has been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.30-$0.31; risk free rate of 1.09%-1.13%; expected term of 1.5 years; exercise price of the warrants of $0.30-$0.45; volatility of 100% (based on comparable companies); and expected future dividends of nil.

The fair value of broker warrants issued during the period ended April 30, 2012 of $178,660 was also estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.30-$0.31; risk free rate of 1.09%-1.13%, expected term of 1.5 years, exercise price of the broker warrants, of $0.27-$0.30; volatility of 100% (based on comparable companies); and expected future dividends of nil.

The fair value of the warrants issued to acquire property during the period ended April 30, 2012 was $125,807. This amount has also been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.28; risk free rate of 1.28%, expected term of two years; exercise price of $0.39; volatility of 100% (based on comparable companies); and expected future dividends of nil.

At April 30, 2012, the following warrants were outstanding. All warrants issued during the period and warrants outstanding as at April 30, 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	1,389,274	1.34	1,389,274
$0.22	1,761,147	0.78	1,761,147
$0.27	222,222	1.50	222,222
$0.28	25,248,319	0.77	25,248,319
$0.30	23,388,438	1.29	23,388,438
$0.32	1,081,444	1.31	1,081,444
$0.35	393,634	0.59	393,634
$0.39	1,000,000	1.89	1,000,000
$0.40	14,225,000	1.57	14,225,000
$0.45	9,459,862	0.75	9,459,862
$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
	99,539,039	1.32	99,539,039

(d) **Contributed surplus**

		April 30, 2012		January 31, 2012
Balance, beginning of period	**$**	**2,585,839**	$	2,152,846
Stock-based compensation expense		**17,571**		442,664
Exercised options		**(12,220)**		(9,671)
Balance, end of period	**$**	**2,591,190**	$	2,585,839

12. 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.

13. COMMITMENTS AND CONTINGENCIES

Please refer to note 10 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 April 30, 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 8. The stand-by letters of credit mature on January 24, 2013 and December 21, 2012, respectively.

14. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

(a) During the period the Company paid management fees included in management fees expense of $120,000 (2011- $46,000) and consulting fees included in consulting fees expense of $32,250 (2011- $30,000) 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 $9,424 (2011-$36,189) to directors and companies with common directors as a result of consulting fees payable.

(c) Included in rental income is $14,400 (2011-$nil) in rent charged to companies with common directors as the Company.

15. 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 period ended April 30, 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.

16. SUBSEQUENT EVENTS

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.

In May 2012, the Company completed two financings to raise a total of $1,114,000. The first financing included the issuance of 7,142,860 units at $0.14 per unit, where each unit was comprised of one common share and one-half warrant where a full warrant entitles the holder to acquire one additional share at a price of $0.20 for a period of 18 months from the date of issuance. The balance of this financing consisted of the issuance of 625,000 flow-through units at $0.16 per a flow-through unit, where each flow-through unit was comprised of one flow-through common share and one-half warrant where a full warrant entitles the holder to acquire one additional common share at a price of $0.20 for a period of 18 months from the date of issuance. The second financing consisted of the issuance of 100,000 flow-through units at $0.14 per a flow-through unit, where each flow-through unit was comprised of one flow-through common share and one-half warrant where a full warrant entitles the holder to acquire one additional common share at a price of $0.20 for a period of 18 months from the date of issuance. In connection with these financings, the Company paid cash commissions of $99,999 and issued 466,072 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.14 for a period of 18 months from the date of issuance.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current interim consolidated financial statements, with no effect on loss and comprehensive loss for the comparative period.

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

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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.

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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

SLF

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.

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SLF

Opinion

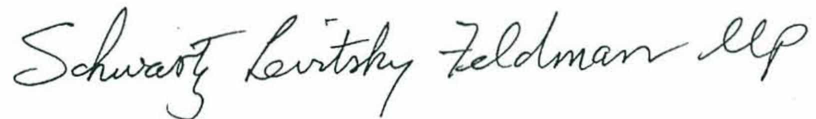
In our opinion, the comparative consolidated financial statements present fairly, in all material respects, the financial position of Shoal Point Energy Ltd. as at January 31, 2011 and February 1, 2010, and its financial performance and its cash flows for the year ended January 31, 2011 in accordance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



Toronto, Ontario
May 30, 2012

Chartered Accountants
Licensed Public Accountants

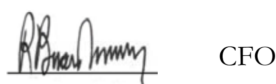
SHOAL POINT ENERGY LTD.
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT

	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.

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

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

	Share capital		Warrants			Equity portion of		
	Number of shares	Amount	Number of warrants	Amount	Contributed Surplus	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:

ASSETS	CANADIAN GAAP	IFRS 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:

ASSETS	CANADIAN GAAP	IFRS 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:

Year	Amount
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.

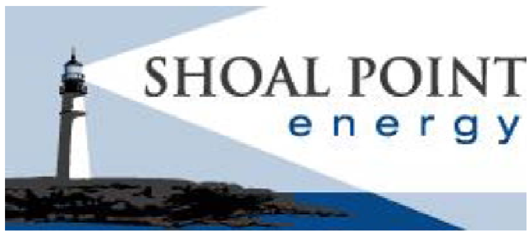
In February 2012, the Company also made the final payment of $200,000 to Canadian Imperial Venture Corp. (“CIVC”) which was required to be made on or before April 25, 2012, as part of the Company’s acquisition of CIVC’s interest in the Green Point oil-in-shale (see note 11).

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.



SHOAL POINT ENERGY LTD.
(an exploration stage enterprise**)**
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JANUARY 31, 2011 and 2010

INDEX

	Page
Independent Auditors' Report	1
Consolidated Balance Sheets as at January 31, 2011 and 2010	2
Consolidated Statements of Operations and Deficit for the years ended January 31, 2011 and 2010	3
Consolidated Statements of Cash Flows for the years ended January 31, 2011 and 2010	4
Notes to the consolidated Financial Statements	5 - 25

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 accompanying consolidated financial statements of Shoal Point Energy Ltd., which comprise the consolidated balance sheet as at January 31, 2011 and 2010 and the consolidated statement of operations, comprehensive loss and deficit and cash flows for the years then ended, 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 consolidated financial statements in accordance with Canadian generally accepted accounting principles 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 audits 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 audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shoal Point Energy Ltd. as at January 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

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

Schwartz Levitsky Feldman llp

Toronto, Ontario
May 30, 2011

Chartered Accountants
Licensed Public Accountants

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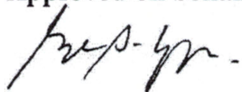
Tel: 416 785 5353
Fax: 416 785 5663

Shoal Point Energy Ltd.
(an exploration stage enterprise)
CONSOLIDATED BALANCE SHEETS
AS AT JANUARY 31, 2011 and 2010

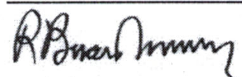
	2011	2010
ASSETS		
Current		
Cash	**$ 430,516**	$ 6,517
Amounts receivable (Note 5)	**1,032,185**	26,829
Prepaid expenses and deposits (Note 6)	**4,281,702**	37,500
	5,744,403	70,846
Property and equipment (Note 3)	**3,209,480**	5,051
	$ 8,953,883	$ 75,897
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 1,093,259**	$ 509,178
Convertible debt (Note 7)	**-**	2,180,931
	1,093,259	2,690,109
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Equity instruments (Note 4(b))	**29,321,312**	16,008,316
Contributed surplus (Note 4(j))	**2,152,846**	632,018
Equity portion of convertible debt (Note 7)	**-**	460,546
Deficit	**(23,613,534)**	(19,715,092)
	7,860,624	(2,614,212)
	$ 8,953,883	$ 75,897

NATURE OF OPERATION AND GOING CONCERN ASSUMPTION (Note 1)
RELATED PARTY ADVANCES AND TRANSACTIONS (Note 10)
COMMITMENTS AND CONTINGENCIES (Note 12)
SUBSEQUENT EVENTS (Note 13)

Approved on behalf of the board:



_____________________ President



_____________________ CFO

Shoal Point Energy Ltd.

(an exploration stage enterprise)

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT FOR THE YEARS ENDED JANUARY 31, 2011 and 2010

	2011	2010
Expenses		
Amortization	$ 5,667	$ 1,627
Interest expense	806,591	360,674
Management fees	249,015	420,000
Impairment(recovery) of oil and gas properties (Note 3)	(22,500)	2,527,589
Legal and accounting fees	244,811	953,199
Office, general and administrative	225,108	95,630
Rent	70,831	52,451
Stock-based compensation (Note 4(h))	1,299,940	204,038
Travel	108,912	156,007
Consulting fees	444,908	16,175
Directors' fees	37,000	72,000
	3,470,283	4,859,390
Gain on extinguishment of debt (Note 7)	-	(26,435)
Interest and other income	(3,346)	(943)
Loss before income tax	(3,466,937)	(4,832,012)
Future income tax (recovery)	-	(16,000)
Loss and comprehensive loss for the year	(3,466,937)	(4,816,012)
Deficit, beginning of year	(19,715,092)	(14,185,102)
Modification of warrants (Note 4(i))	(431,505)	(713,978)
Deficit, end of year	$ (23,613,534)	$ (19,715,092)
Loss per share	(0.04)	(0.08)
Weighted average number of shares outstanding - basic and diluted	77,136,423	61,548,992

Shoal Point Energy Ltd.
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2011 and 2010

		2011		2010
Cash flows from operating activities				
Net loss for the year	$	(3,466,937)	$	(4,816,012)
Adjustment for non-cash items:				
Amortization		5,667		1,627
Stock-based compensation		1,299,940		204,038
Impairment(recovery) of oil and natural gas properties		(22,500)		2,527,589
Future income tax (recovery)		-		(16,000)
Accretion of interest on convertible debt (Note 7)		437,709		22,837
Gain on debt settlement (Note 7)		-		(26,435)
		(1,746,121)		(2,102,356)
Changes in non-cash working capital				
Accounts receivable		(1,005,356)		44,889
Prepaid expenses and deposits		(4,244,202)		46,675
Accounts payable and accrued liabilities		584,081		517,081
Cash flows used in operating activities		(6,411,598)		(1,493,711)
Cash flows from investing activities				
Acquisition of capital asset		-		(1,025)
Acquisition of oil and natural gas properties		(3,104,292)		-
Cash flows used in investing activities		(3,104,292)		(1,025)
Cash flows from financing activities				
Issuance of equity instruments		11,188,525		100,845
Repayment of demand note payable		-		(1,600,000)
(Repayment) increase in convertible note payable		(1,248,636)		2,180,931
Cash flows provided from financing activities		9,939,889		681,776
Net increase(decrease) in cash during the year		423,999		(812,960)
Cash, beginning of year		6,517		819,477
Cash, end of year	$	430,516	$	6,517

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Shoal Point Energy Ltd. 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. On October 26, 2010, the Company filed article 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, as described in Note 4(b), 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, SPE 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 a development 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.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these consolidated financial statements.

While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

The consolidated financial statements of the Company have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant policies summarized below.

(a) Oil and natural gas properties

The Company follows the full cost method of accounting for its oil and natural gas properties. All costs relating to the acquisition, exploration and development of oil and natural gas reserves, net of revenues, are capitalized. Such costs include those related to lease acquisition, geological and geophysical activities, lease rentals on undeveloped properties, and the drilling of productive and non-productive wells. Overhead, which is directly attributable to acquisition, exploration and development activities, is capitalized as part of oil and natural gas properties.

Once in commercial production, costs capitalized will be depleted using the unit of production method, based on estimated proven oil and natural gas reserves, before royalties, as determined by independent engineers. Oil and natural gas reserves are converted to a common unit of measure on the basis of 6 million cubic feet to 1 barrel of oil equivalent based on energy equivalency. The carrying value of unevaluated properties is excluded from the depletion calculation and they are assessed periodically to determine whether an impairment in value has occurred.

Dispositions of properties are analyzed based on the Company's depletion rates. Unless a significant amount of reserves are involved, proceeds received from the disposition of oil and natural gas properties are credited to the capitalized costs. In the event a disposition results in a significant change (of at least 20%) in the Company's depletion rate, a proportionate amount of cost and accumulated depletion based on the ratio of reserves to total reserves, will be removed from capitalized cost and the resultant gains or losses taken to the statement of operations. To date, as the Company has yet to commence active operations, there has been no depletion recorded.

Once in commercial production, the Company performs a ceiling test on properties which restricts the capitalized costs less accumulated depletion from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and natural gas reserves, as determined by independent engineers, based on sales prices achievable under existing contracts and posted average reference prices in effect between the end of the year and the finalization of the year end and current costs, and after deducting estimated production related expenses. If the carrying value of the capitalized costs exceeds the undiscounted cash flows, an impairment loss will be determined. The impairment loss is measured as the amount by which the carrying amount of assets capitalized exceeds the fair value of proven and probable reserves and the costs less any impairment of unproved properties that have been subject to a separate test for impairment and contain no probable reserves. If it is determined that the carrying value is not recoverable, an impairment loss is recognized in the statement of operations as additional depletion and depreciation. Fair value is based on discounted expected future net revenues from proven and probable reserves less general and administrative expenses, financing costs, site restoration cost and income taxes related to future production. The Company did not apply a ceiling test in 2009 or 2008 because it is in the development stage and no proven reserves have been established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition

Interest revenue is recognized as earned and when collection is reasonably assured.

(c) Asset retirement obligations

The Company recognizes the estimated fair value of an Asset Retirement Obligation ("ARO") in the period in which it is incurred. The fair value of the estimated ARO is recorded as a liability with a corresponding increase in the carrying amount of the related asset. ARO obligations are initially measured at fair value and subsequently adjusted for the accretion and any changes to the underlying cash flows. The capitalized amount is depleted on a unit of production basis over the life of the proven reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost would also result in an increase or decrease to the ARO. Actual costs incurred are charged against the ARO to the extent of the recorded liability. Any difference between the actual costs incurred and the recorded liability is recognized as a gain or loss in the period in which the costs are incurred. As at January 31, 2011 and 2010, the Company has not incurred any asset retirement obligations.

(d) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are based on the differences between assets and liabilities reported for accounting purposes from those reported for income tax purposes. Future tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the asset is realized or the liability is settled. The effect of a change in rates on future tax assets and liabilities is recognized in operations in the period in which the change occurs. Future income tax assets are recognized if such assets are more than not to be realized, otherwise a valuation allowance is taken.

(e) Convertible debt

The Company accounts for its convertible debt in accordance with the substance of the contractual arrangement on initial recognition. Therefore, as a result of the conversion feature of the debt, the Company's convertible instruments have been segregated between debt and equity based on the fair value of the debt components. The difference between the estimated fair value of the debt at issuance and the face amount is reflected as "Equity portion of convertible debt" in shareholders' equity and as a discount in that amount to the liability portion of the debt. This discount is being accreted to the principal face amount as additional interest expense over the term of the liability using the effective interest rate method.

The fair value of the liability portion of a convertible debt is determined using a market interest rate for an equivalent non-convertible debt. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion right when such conversion right represents equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

The Company follows the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1530, Comprehensive Income and Section 3855, Financial Instruments - Recognition and Measurement.

Financial assets

Held for trading assets are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are subsequently re-measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently re-measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently re-measured at fair value with the changes in fair value recorded in other comprehensive income.

Financial liabilities

Held for trading liabilities are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently re-measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Cash	Held-for-trading
Amounts and share subscription receivable	Loan and receivable
Accounts payable and accrued liabilities	Other liabilities
Convertible debentures	Other liabilities

Comprehensive income

Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. To date there has not been any other comprehensive income and accordingly, a statement of comprehensive income has not been presented.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Company's financial instruments measured at fair value on the balance sheet consist of cash which is measured at level 1 of the fair value hierarchy.

(g) Loss per share

The computation of loss per share and diluted loss per share amounts are based upon the weighted average number of outstanding common shares during the year. Dilution is calculated based on the net number of common shares issued should "in the money" options, warrants and conversion rights be exercised and the proceeds used to purchase common shares at the weighted average market price in the period, using the treasury stock and "if converted" methods. As a result of net losses, the exercise of options, warrants and convertible debt are excluded as they are anti-dilutive.

(h) Measurement uncertainty

Areas requiring the use of significant management estimates relate to the equity portion of convertible debt, valuation allowance for future income taxes, and impairment, if any, of oil and gas properties.

The future recoverability of the oil and natural gas properties is based on estimates of proven reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in estimates in future periods could be significant.

The estimates of future cash flow requirements for Farm-out agreement commitments are based upon management's best estimate of the future costs. The actual costs could be significantly different from the initial estimates and the effect on the financial statements of changes in these cost estimates in future periods could be significant.

The Black Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's warrants have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, such value is subject to significant measurement uncertainty.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment and intangible assets

Property and equipment and intangible assets are stated at cost less accumulated amortization. Amortization is provided at rates designed to amortize the cost of the assets over their estimated useful lives as follows:

Computer equipment	-	45% declining balance
Computer software	-	100% declining balance
Website	-	20% declining balance

(j) Joint interests

The Company conducts a portion of its oil and natural gas exploration and production activities through joint interests, and the accounts reflect only its proportionate interest in such activities.

(k) Stock-based compensation and other stock-based payments

The Company accounts for stock options granted to directors, officers, and employees using the fair value method of accounting and for non-employees using the fair value of the equity instruments issued or the value of the services, whichever is more reliably measurable. Stock-based compensation cost for directors, officers, and employees is accrued and charged to operations, with an offsetting credit to contributed surplus, over the vesting periods. Stock-based compensation cost for non-employees is measured at the earliest date at which performance is complete or the options vested, and is expensed over the service period with an offsetting credit to contributed surplus. If in the event that vested stock options expire without being exercised, previously recognized compensation costs associated with such rewards are not reversed. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

(l) Impairment of other long-lived assets

The Company reviews other long lived assets for impairment on a yearly basis; or whenever events or changes in circumstances occur. Impairment is recognized when the carrying value of a long term asset exceeds the sum of future cash flows expected from its use.

(m) Warrants

The Company issues share purchase warrants from time to time. These warrants are measured and recorded as equity instruments at fair value using the Black Scholes options valuation pricing model. When warrants are exercised, the consideration received with the corresponding amounts previously recorded in contributed surplus are credited to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Flow through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. The Emerging Issues Committee of the Canadian Institute of Chartered Accountants issued EIC-146 under which the Company is required to recognize the future income tax liability upon filing renunciation documents with the tax authorities and to treat it as a cost of issuing the flow-through shares. The Company has financed a portion of its exploration and development activities through the issuance of flow-through shares. Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to subscribers. To recognize the tax benefits renounced by the Company, the carrying value of the shares issued and future income tax liabilities are adjusted by the estimated value to the Company of the renounced income tax deductions when the related flow-through expenditures are renounced to the investors.

(o) Issuance cost

Costs incurred in connection with the issuance of capital stock and share purchase warrants are disclosed as a reduction of the proceeds received.

(p) Future accounting pronouncements

Recent accounting pronouncement

Business Combination/Consolidated Financial Statements/Non Controlling Interests

In January 2009, the CICA adopted sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non Controlling Interest which superseded current sections 1581 Business Combinations and 1600 Consolidated Financial Statements. These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to International Financial Reporting Standards ("IFRS") and will be adopted when the Company completes its transaction to IFRS on February 1, 2011.

Recent accounting pronouncement issued and not yet applied.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date for interim and annual financial statements relates to fiscal years beginning on or after January 1, 2011. The Company's changeover date will be February 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed.

3. PROPERTY AND EQUIPMENT

		January 31, 2011		January 31, 2010
	Cost	**Accumulated amortization**	**Net**	Net
Oil and natural gas properties	**$ 3,205,107**	**$ -**	**$ 3,205,107**	$ -
Website	**6,225**	**3,237**	**2,988**	3,734
Computer equipment	**3,798**	**2,413**	**1,385**	1,317
Computer software	**1,080**	**1,080**	**-**	-
	$ 3,216,210	**$ 6,730**	**$ 3,209,480**	$ 5,051

The oil and natural gas properties relate to the Shoal Point License #1070. The Company did not capitalize any general and administrative costs in 2011 or 2010.

Western Newfoundland

At January 31, 2011 the Company holds working interests in Offshore Exploration License #1070 ("EL #1070").

Offshore EL #1070 covers an area of 254,616 acres.

On August 11, 2010, the Company entered into an agreement with Canadian Imperial Venture Corp ("CIVC") and Dragon Lance Management Company ("DLMC") to finance the drilling of well 3K-39 which commenced after the year end. Under the terms of the agreement, the Company committed to funding 38.50% of the $1M well abandonment deposit in the event that the well was not abandoned within the first 60 days of obtaining the Significant Discovery License ("SDL"); funding 38.50% of the cost of the SDL in excess of $1M; and funding 38.50% of costs associated with the test well in excess of $4.5M.

On December 9, 2010, the Company signed an amending letter agreement to the farm-out agreement covering license area EL#1070, dated August 11, 2010, with CIVC and the DLMC, and also with Fire Horse Energy Ltd ("Fire Horse").

The amending letter agreement initially acknowledges that DLMC has assigned its rights and obligations under the original farm-out agreement to Fire Horse. It further acknowledges that the Company's interest in EL#1070 is to be set at 51.5% after the completion of the next well (3K-39), which is to be spudded prior to the end of the year.

Originally, the Company's interest was to be reduced from 61.5% to 30.75% and the entire cost of well 3K-39 was to be borne by DLMC or its assignee Fire Horse. Under the terms of the amended agreement, the Company's interest will be reduced by only 10% to 51.5% and in consideration for retaining this increased interest in EL#1070, the Company has agreed to pay 41.5% of the drilling costs of the well (estimated to be $1,867,500 or 41.5% of $4.5 million), to make the refundable abandonment deposit (estimated not to exceed $1 million), and to pay 50% of the costs of filing reports and making the application for a Significant Discovery License (SDL) on EL#1070. The balance of the costs associated with drilling of the 3K-39 well and obtaining the SDL is to be paid for by Fire Horse.

3. PROPERTY AND EQUIPMENT (CONTINUED)

On December 17, 2010, the Company signed a final agreement with DLMC and Fire Horse and CIVC. Under the terms of this final agreement, the Company's final percentage interest in the 3K-39 well will be increased to 80.75%, with CIVC at 19.25%. The Company will now assume responsibility for all budgeted costs of the well and also be responsible for the abandonment deposit and other costs related to filing for a SDL.

Summary of interests in the EL#1070 Shallow Rights after the well has been drilled is as follows:

	SPE	CIVC	DLMC
After earning	80.75%	19.25%	-

4. EQUITY INSTRUMENTS

(a) Authorized

Unlimited number of common shares, voting, no par value
Unlimited number of preferred shares

On event of a distribution, the holders of preferred shares have priority over other shareholders of the Company.

(b) Equity instruments issued and outstanding

Common shares	Number		Amount
Shoal Point Energy Ltd.			
Balance, February 1, 2010	75,109,129	$	12,942,775
Issued for debt conversion (Note 4(f))	3,154,545		694,000
Issued for property purchase (Note 4(g))	750,000		165,000
Common shares issued for cash (Note 4(e))	27,932,881		6,145,234
Issuance costs	-		(538,689)
Allocated to warrants	-		(2,603,466)
Balance, Transferred on November 9, 2010	**106,946,555**	**$**	**16,804,854**
Allied Northern Capital Corporation			
Balance, February 1, 2010	7,225,268	$	1,565,945
Issued for cash	480,000		180,000
Balance before reverse assets acquisition	7,705,268		1,745,945
Transfer from Shoal Point Energy Ltd	106,946,555		16,804,854
Reversal of Allied share capital	-		(1,745,945)
RAA adjustment			304,675
RAA costs	-		(50,000)
Post reverse asset acquisition combined balance, November 10, 2010	**114,651,823**	**$**	**17,059,529**
Shares issued upon exercise of warrants - Shoal Point Energy Ltd	16,683,050		5,335,378
Issued for debenture conversion (Note 6)	7,848,624		1,809,384
Post reverse asset acquisition combined balance, January 31, 2011	**139,183,497**	**$**	**24,204,291**

4. EQUITY INSTRUMENTS (CONTINUED)

Warrants for common shares issued	Number		Amount
Shoal Point Energy Ltd.			
Balance, January 31, 2010	22,081,780	$	3,065,541
Warrants issued upon financing (Note 4(e))	27,932,881		1,373,713
Broker warrants (Note 4(e))	1,798,247		129,349
Warrants issued on debt conversion (Note 2, 7)	10,870,995		1,086,009
Warrants issued for property acquisition (Note 4(g))	250,000		14,395
Balance transferred on November 9, 2010	62,933,903		5,669,007
Allied Northern Capital Corporation			
Balance, January 31, 2009	-		-
Balance, January 31, 2010	-		-
Balance before reverse asset acquisition(RAA)	-		-
Transfer from Shoal Point Energy Ltd	62,933,903		5,669,007
Warrants extended in term (Note 4(i))	-		431,505
Warrants exercised/expired	(19,518,324)		(983,491)
Balance, January 31, 2011	**43,415,579**	**$**	**5,117,021**
Total equity instruments		**$**	**29,321,312**

Options for Common Shares Issued	Number		Amount
Balance, January 31, 2009	-	$	-
Balance, January 31, 2010	-		-
Balance before reverse asset acquisition(RAA)	-		-
Transfer from Shoal Point Energy Ltd, November 9, 2010	11,975,000		1,191,563
Options Issued	750,000		108,379
Balance, January 31, 2011	**12,725,000**		**1,299,942**

No preferred shares have been issued.

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 Emerging Issues Committee ("EIC") 10 (reverse takeover accounting), 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 EIC 124 (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).

4. EQUITY INSTRUMENTS (CONTINUED)

(b) Equity instruments issued and outstanding (continued)

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 warrants. Each common share purchase warrants entitle 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 will be 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 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 asset of Allied, is included at fair value of $304,675 which was determined to be equal to the carrying value of the net asset

The fair value of the net asset 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 to the reverse takeover, is January 31.

Shares issued year ended January 31, 2010

(c) On December 31, 2009, the Company issued 200,000 flow- through common shares at $0.27 per share for gross proceeds of $54,000. The Company paid finders fees of $3,240 and also issued 16,500 broker warrants, with each broker warrant being exercisable at $0.27 for two years for one additional common share. The amount of $506 was allocated to the 16,500 broker warrants determined using the Black Scholes Option Pricing Model based on the following assumptions: risk free rate of 1.41%; expected term of 2 years; volatility of 45%; and expected future dividends of nil.

4. EQUITY INSTRUMENTS (CONTINUED)

(d) On December 8, 2009, the Company issued 623,100 units totaling $137,082, where each unit includes a common share and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at a price of $0.25 for two years. The Company paid finders' fees of $8,224 and also issued 53,550 broker warrants, with each broker warrant being exercisable at $0.22 for two years for one additional common share. The amount of $11,338 was allocated to the 311,550 shares purchase warrants while the amount of $2,410 was allocated to the 53,550 broker warrants determined using the Black Scholes Option Pricing Model based on the following assumptions: risk free rate of 1.41%; expected term of 2 years; volatility of 45%; and expected future dividends of nil.

Shares issued year ended January 31, 2011

(e) On November 9, 2010, the Company issued 27,932,881 units totaling $6,145,234, where each unit includes a common share and a 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.

(f) Issued for debt conversion

During 2011, the Company settle $694,000 of trade payables by issuing 3,154,545 units of the Company. Each unit includes a common share and a 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.

(g) 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.

(h) Stock based compensation

The Company has a rolling stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company.

Options granted must expire no later than a maximum of five years from the date of the grant.

Terms of the Plan are as follows:

(i.) The number of common shares which may be issued pursuant to options previously granted and those granted under the Plan shall not exceed 10% of the outstanding common shares at the time of the grant;

(ii.) The number of shares which may be awarded in a one year period to anyone individual may not exceed 5% of the issued and outstanding shares at the date of grant and the total number of options awarded to any consultant shall not exceed 2% of the issued and outstanding common shares at the time of the grant;

4. EQUITY INSTRUMENTS (CONTINUED)

(h) Stock based compensation (continued)

(iii.) The total number of options awarded to all persons employed by the Company who perform investor relations activities shall not exceed 2% of the issued and outstanding shares of the Company in any twelve month period;

(iv) Under the plan, options are granted at fair market value at date of grant and expire at the earlier of the term set out in the particular option agreement or 90 days from the date on which the optionee ceases to be a director, officer, employee or consultant of the Company or one year after the death of the optionee; and

(v) All options granted vest upon the date of grant.

Stock options issued during the year

The fair value of options granted during 2011 and 2010 was estimated at the date of grant using a Black Sholes Option Pricing Model with the following assumptions:

	2011	2010
Risk-free interest rate	1.39% to 1.76%	2.56%
Estimated hold period prior to exercise (years)	1-5	5
Volatility in the price of the Company's common shares	80%	70%
Dividend yield	Nil	Nil
Weighted average fair value	$0.048 to $0.175	$0.1127

In the Consolidated Statement of Operations, the Company recorded stock-based compensation expense of $1,299,940 for the year ended January 31, 2011 (2010 - $204,038). Of this amount $1,191,563 (2010 - $nil) related to the cancellation and re-pricing of stock options.

The following table summarizes information concerning the Company's stock options outstanding as at January 31, 2011:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable - January 31, 2010	4,790,000	0.25
Granted	7,950,000	0.25
Expired or cancelled	(7,340,000)	0.25
Reissued	7,325,000	0.25
Outstanding as at January 31, 2011	**12,725,000**	**$ 0.25**

4. EQUITY INSTRUMENTS (CONTINUED)

(h) Stock based compensation (continued)

The following common share purchase options are outstanding at January 31, 2011:

	Date of Grant	Number of Shares	Exercise Price	Expiry Date
Directors	October 29, 2010	3,500,000	$ 0.25	October 29, 2015
Officers	October 29, 2010	1,850,000	$ 0.25	October 29, 2015
Service Providers	October 29, 2010	1,725,000	$ 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	300,000	$ 0.40	January 20, 2013
		12,725,000		

(i) Warrants

The following table summarizes information about warrants outstanding as at January 31, 2011:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Weighted average exercise price
$0.15	6,679,578	0.50	6,679,578	$0.15
$0.22	1,548,247	1.00	1,548,247	$0.22
$0.25	311,550	1.00	311,550	$0.25
$0.28	25,093,376	1.90	25,093,376	$0.28
$0.40	1,847,250	0.70	1,847,250	$0.40
$0.50	7,935,578	1.90	7,935,578	$0.50
	43,415,579	1.32	43,415,579	$0.30

(j) Contributed surplus

The balance is represented by the following:

	2011	2010
Balance, beginning of the year	**$ 632,018**	$ 427,980
Stock based compensation expense	**1,299,940**	204,038
Equity portion of convertible debt	**220,888**	-
Balance, end of the year	**$ 2,152,846**	$ 632,018

5. **AMOUNTS RECEIVABLE**

Amounts receivable consist of the following:

		2011		2010
GST/HST receivable	$	**986,547**	$	25,304
Subscription receivable		**44,113**		-
Other receivable		**1,525**		1,525
	$	**1,032,185**	$	26,829

All the amounts received subsequent to the year end.

6. **PREPAID EXPENSES AND DEPOSITS**

Prepaid expenses and deposits consist of the following:

		2011		2010
(i) Property deposit	$	**1,000,000**	$	37,500
(ii) Property well costs advanced		**3,253,528**		-
Other		**28,174**		-
	$	**4,281,702**	$	37,500

(i) The property deposit consists of an interest bearing guaranteed investment certificate that secures a stand-by letter of credit in an amount of $1,000,000 (January 31, 2010 - $nil) with the Canada-Newfoundland and Labrador Offshore Petroleum Board.

(ii) Amounts advanced to contractors and as of January 31, 2011 has not been spent.

7. **CONVERTIBLE DEBT**

On November 24, 2009, the Company received approval from the Bankruptcy Division of the Court of Queen's Bench of Alberta, in the matter of the Proposal under Part III, Division I of the Bankruptcy and Insolvency Act. Of the $6,253,762 proven claim, $2,645,074 was settled through the issuance of a debenture and $3,608,687 was settled through the issuance of common shares. 18,043,437 common shares were issued as a result of this debt settlement at $0.20 per share.

The following terms are attached to the debenture:

Date: September 30, 2009
Interest: 12% per annum
Maturity: September 30, 2010

Extensions:

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

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

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

7. CONVERTIBLE DEBT (CONTINUED)

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

Prepayment: The Company may prepay all or part of the debenture at any time without penalty or bonus. If the Company receives net proceeds of more than $10,000,000 from any financing prior to Maturity, then the Company must distribute that portion of the proceeds in excess of $10,000,000 among the debenture holders on a pro rata basis.

The principal amount of the convertible debt was $2,618,640 resulting on a gain on settlement of accounts payable in the amount of $26,435.

As required by Canadian GAAP, the Company classified the convertible debt as having both a liability component and an equity component. The classification between debt and equity was determined using the relative fair value method determined by discounting estimated cash flows at a rate of 25%, for a debt instrument of a comparable company. The debt component of the convertible debenture is accreted to the amount due at maturity, through interest expense using the effective interest method.

During 2011, the Company renegotiated $1,501,571 of convertible debt which were also converted into units by the debenture holers as described as below during the same period. The remainder of the convertible debenture was repaid in cash.

The following terms are attached to the new convertible note:
Interest: 12% per annum
Maturity: one year
Conversion: Principal and interest may be converted at any time into units of the Company at $0.20 per unit. Each unit shall be comprised of one (1) common share in the capital of the Company and one (1) share purchase warrant entitling the holder thereof to purchase one (1) common share at a price of $0.28 per common share until October 31, 2011. No fractional shares will be issued.

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

8. FINANCIAL INSTRUMENTS

As disclosed in Note 2(f), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price risk, credit risk, liquidity risk (comprised of interest rate risk) and fair value risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

Risk management is carried out by management, whom is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with their approved policies.

8. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Commodity price risk

The Company will be subject to commodity price risk through fluctuations of crude oil and natural gas prices. The Company currently has no fixed price contracts to mitigate this exposure.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash and accounts receivable. The Company tries to reduce its credit risk by maintaining its primary bank accounts at large financial institutions. The Company assesses its credit risk based on general market knowledge and specific information obtained through its business relationships.

A significant portion of the Company's cash is held with the Company's broker, and as such, the Company is exposed to concentration of credit risk. The amount held by the broker was received subsequent to year end.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 8.

As at January 31, 2011, the Company has current liabilities of $1,093,259 (2010 - $509,178) due within 12 months and has cash and amounts receivable which total $1,462,701 (2010 - $33,346) to meet its current obligations. As at January 31, 2011, the Company has a working capital surplus(deficit) of $4,651,144 (2010 - $(438,332)). Management will continue to raise capital to fund the Company's exploration, development and feasibility expenditures and for general and administrative costs.

(d) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in this interest rates. While the Company manages its operations in order to minimize exposure to risk, the Company has not entered into any derivatives or contract to hedge or otherwise mitigate this exposure.

(e) Fair value

The fair values of financial instruments consisting of cash, amounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

8. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value (continued)

The carrying value and fair value of these financial instruments at January 31, 2011 is disclosed below by financial instrument category for the years ended January 31, 2011 and 2010:

Financial Instrument	Year ended January 31, 2011		Year ended January 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held for trading				
Cash	$ 430,516	$ 430,516	$ 6,517	$ 6,517
Loans and receivable				
Accounts receivable	$ 1,032,185	$ 1,032,185	$ 26,829	$ 26,829
Financial liabilities				
Other liabilities				
Accounts payable and accrued liabilities	$ 1,093,259	$ 1,093,259	$ 509,178	$ 509,178
Demand notes payable	$ -	$ -	$ -	$ -
Convertible debt	$ -	$ -	$ 2,180,931	$ 2,180,931

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

(a) To safeguard the Company's financial capacity and liquidity for future earning 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 debts or equity or similar instruments, reduce debt levels, adjust the amount of dividends paid to shareholders, or make adjustments to its capital expenditure program.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the twelve months ended January 31, 2011.

10. RELATED PARTY ADVANCES AND TRANSACTIONS

Except as disclosed elsewhere in these financial statements, the Company had the following related party transactions:

(a) During the year the Company paid management fees included in management fees expense aggregating to $249,015 (2010 - $420,000) and consulting fees included in consulting fees expense aggregating to $166,000 (2010 - $nil)to corporations which are controlled by officers and directors of the Company, directors of the Company as well as corporations with common significant shareholders.

10. RELATED PARTY ADVANCES AND TRANSACTIONS (CONTINUED)

(b) Included in accounts payable and accrued liabilities is an amount of $35,342 (2010 - $12,000) to directors and companies with common directors as a result of consulting fees payable.

(c) Included in amounts receivable is an amount of $1,525 (2010- $1,525) owing from a director of the Company.

All related party transactions except as disclosed elsewhere, have been measured at the agreed to exchange amount which is the amount established and agreed to by the related parties.

11. INCOME TAXES

As at , the Company has accumulated Canadian development and exploration expenditures of $4,500,000 (2010 - $nil) and Canadian oil and gas property expenses of $Nil (2010 - $Nil), that are available to offset taxable income for future years at various rates.

The components of the future income tax assets at and 2010 are as follows:

Nature of temporary differences		**2011**		2010
Mineral Properties	**$**	**368,000**	$	(243,000)
Cumulative eligible capital		**40,000**		37,000
Deferred financing and share issuance costs		**86,000**		405,000
Capital stock		**(1,182,000)**		14,000
Non-capital losses		**4,391,000**		4,021,000
		3,703,000		4,234,000
Less: Valuation allowance		**(3,703,000)**		(4,234,000)
Future income tax asset		**-**		-

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial tax rates of 27.9% (2010 - 28.0%) to the loss before income taxes as follows:

		2011		2010
Expected tax recovery	**$**	**(971,000)**	$	(658,000)
Stock based compensation costs		**362,000**		57,000
Impairment of properties		**-**		26,000
Change in valuation allowance		**799,000**		912,000
Other		**(190,000)**		(353,000)
Future income tax expense (recovery)	**$**	**-**	$	(16,000)

The Company has the following non-capital loss carryforwards available:

		Year of expiry
$	3,000	2026
	901,000	2027
	12,035,000	2028
	1,758,000	2029
	2,865,000	2031
$	17,562,000	

12. COMMITMENTS AND CONTINGENCIES

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to contractual agreements and management decisions, result in the accrual of estimated future removal and site restoration costs. Any changes in these estimates will affect future operations.

Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and are to be funded mainly from the Company's cash provided by operating activities. Although the ultimate impact of these matters on operations cannot be determined at this time, it could be material for any period. In the ordinary course of business, indemnifications may have also been provided pursuant to provision of purchase and sale contracts, service agreements, joint venture agreements, operating agreements and leasing agreements. In these agreements, the Company has agreed to indemnify counterparties if certain events occur.

These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

The Company is committed to spend proceeds of a flow-through share issuance resulting from a private placement of 200,000 flow through shares in 2009 (2008 – 6,016,032). The stock qualified as flow through shares under the Income Tax Act (Canada) and the corresponding expenditures are to be made by the Company on or before December 31, 2010 (2009 - December 31, 2009).

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measure for this purpose.

13. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these consolidated financial statements, the Company had the following subsequent events:

On February 22, 2011, the Company granted to officers, directors and consultants of the Company 1.2 million options at a price of $0.40 for a term of five years. On April 20, 2011, the Company granted to consultants of the Company 350,000 options at an exercise price of $0.50 for a term of three years.

Subsequent to year end the Company closed three tranches of financing totaling $5,997,450 comprised of 13,531,570 common share units at $0.35 per unit, where each unit includes a common share at $0.35 and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at a price of $0.50 for 18 months. The balance of this financing consisted of 3.15 million flow-through units, where each unit comprises a flow-through common share at $0.40 and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at $0.55 for 18 months.

In connection with the total financing of $5,997,450 the company is paying cash fees totalling $117,147 to registered agents and issuing 393,634 broker warrants. Each broker warrant will entitle the holder to acquire an additional common share at a price of $0.35 for a period of 18 months.

13. SUBSEQUENT EVENTS (CONTINUED)

Subsequent to year end the Company raised $3,723,650 issuing 6,400,610 units at $0.45 whereby each unit included one common share and one-half common share purchase warrant where a full warrant entitles the holder to purchase one additional common share at a price of $0.60 for an 18 month period. In addition, 1,450,000 flow through units were issued at a price of $0.50 and each flow through unit was comprised of one common share and one half common share purchase warrant, where a full warrant entitles the holder to purchase one additional common share at a price of $0.60 for an 18-month period.

In connection with this financing, the company paid commissions to registered agents. The cash fees of 6% totalled $195,519, and in addition, the broker warrants of 6% totalled 422,820 broker warrants. The broker warrants entitle the holders to acquire one additional common share at a price of $0.45 for a period of 18 months.

The Company also borrowed $2.2-million from an arm's-length lender on April 29, 2011. These funds have been used as security in connection with logging of the 3K-39 well. In connection with this transaction, Shoal Point issued a $2.2-million secured promissory note to the lender and granted the lender a security interest over its assets. The lender will receive one million common share purchase warrants of Shoal Point, where each warrant entitles the holder to acquire a common share in the company for a period of two years from the date of issuance at an exercise price of $0.50. With the completion of the private placement financings, Shoal Point fully repaid the loan, and the promissory note and security interest have been cancelled.

Subsequent to year end the Company signed a farm-in agreement with Ptarmigan Energy Inc. (PEI) of St. John's, Nfld., and Labrador, with respect to exploration licence 1120, western Newfoundland. Under the terms of the farm-in agreement, Shoal Point will have the right to earn into the shallow rights within a certain area of exploration licence 1120 (farm-out lands) by paying to PEI a total of $1.8-million, and by drilling a test well to assess the petroleum potential of the Green Point formation on or before December 31, 2012. Once Shoal Point has completed the earning requirements by making the aforementioned payments, and by drilling the test well, Shoal Point will earn an 80 percent working interest in the shallow rights within the farm-out lands, with PEI retaining a 20 percent working interest therein.

SCHEDULE "B"

SHOAL POINT ENERGY LTD.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Name

There shall be a committee of the board of directors (the "Board") of Shoal Point Energy Ltd. (the "Company") known as the Audit Committee (the "Committee").

Purpose

The Committee has been established to assist the Board in fulfilling its oversight responsibilities and fiduciary obligations. The primary functions and areas of responsibility of the Committee are to:

- review, report and provide recommendations to the Board on the annual and interim consolidated financial statements and related Management's Discussion and Analysis ("MD&A");
- identify and monitor the management of the principal risks that could impact the financial reporting of the Company;
- make recommendations to the Board regarding the appointment, terms of engagement and compensation of the external auditor;
- monitor the integrity of the Company's financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- oversee the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- resolve disagreements between management and the external auditor regarding financial reporting;
- receive the report of the external auditors, who must report directly to the Committee; and
- provide an avenue of communication among the Company's external auditors, management, and the Board.

Composition and Qualifications

All Committee members shall meet all applicable requirements prescribed under the *Business Corporations Act* (Ontario), as well as any requirements or guidelines prescribed from time to time under applicable securities legislation, including National Instrument 52-110 as amended, restated or superseded. The Committee shall be comprised of not less than three directors as determined from time to time by the Board. Each member shall be an independent director who is free from any direct or indirect relationship that would, in the view of the Board, reasonably interfere with the exercise of the member's independent judgment. While it is not necessary for members to have a comprehensive knowledge of generally accepted accounting principles and standards, all members of the Committee

shall be “financially literate” so as to be able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the issues raised by the Company’s financial statements. A director who is not financially literate may be appointed to the Committee by the Board provided that such director becomes financially literate within a reasonable period following his or her appointment, and provided that the Board has determined that such appointment will not materially adversely affect the ability of the Committee to act independently.

Committee members shall be appointed by the Board. The Board shall designate the Chair of the Committee. If a Chair is not designated or present at any meeting, the members of the Committee may designate a Chair by majority vote. The Chair shall have responsibility for ensuring that the Committee fulfills its mandate and duties effectively.

Each member of the Committee shall continue to be a member until a successor is appointed, unless the member resigns, is removed or ceases to be a director. The Board may fill a vacancy at any time.

Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances dictate, and at least once in each fiscal quarter. A notification for each of the meetings shall be disseminated to Committee members two days prior to each meeting. A majority of the members of the Committee shall constitute a quorum for meetings.

An agenda shall be prepared by the Chair of the Committee as far in advance of each meeting as reasonably practicable. Minutes of all meetings of the Committee shall be prepared as soon as possible following the meeting and submitted for approval at or prior to the next following meeting.

The Committee should meet privately at least once per year with management of the Company, the Company’s external auditors, and as a committee to discuss any matters that the Committee or any of these groups believe should be discussed.

Specific Responsibilities and Duties

Specific responsibilities and duties of the Committee shall include, without limitation, the following:

General Review Procedures

1. Review and reassess the adequacy of this Charter at least annually and submit any proposed amendments to the Board for approval.

2. Review the Company’s annual audited financial statements, related MD&A, and other documents prior to filing or distribution of such documents or issuing a press release in respect of the financial statements and MD&A. Review should include discussion with management and external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments.

3. Annually, in consultation with management and external auditors, consider the integrity of the Company’s financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the external auditors and the internal auditing department together with management’s responses.

4. Review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Committee's views to the Board of Directors.

5. Review with financial management and the external auditors the Company's quarterly financial results, related MD&A and other documents prior to the filing or distribution of such documents or issuing a press release in respect of the financial statements and MD&A. Discuss any significant changes to the Company's accounting principles. The Chair of the Committee may represent the entire Committee for purposes of this review.

External Auditors

6. The external auditors are ultimately accountable to the Committee, as representatives of the shareholders. The external auditors must report directly to the Committee, who shall review the independence and performance of the auditors and annually recommend to the Board the appointment of the external auditors or approve any discharge of auditors when circumstances warrant. The Committee shall approve the compensation of the external auditors.

7. The Committee must approve all non-audit and non-tax services to be provided to the Company or its subsidiary entities, unless such non-audit and non-tax services are reasonably expected to constitute not more than twenty (20) percent of the total fees paid by the Company to the external auditor during the particular fiscal year.

8. On an annual basis, the Committee should review and discuss with the external auditors all significant relationships they have with the Company that could impair the auditors' independence.

9. Review the external auditors' audit plan and discuss and approve the audit scope, staffing, locations, reliance upon management, and general audit approach.

10. Prior to releasing the year-end earnings, discuss the results of the audit with the external auditors. Discuss any matters that are required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants.

11. Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting.

Legal Compliance

12. On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.

Other Miscellaneous Responsibilities

13. Annually assess the effectiveness of the Committee against its Mandate and report the results of the assessment to the Board.

14. Prepare and disclose a summary of the Mandate to shareholders.

15. Perform any other activities consistent with this Mandate, the Company's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

Authority

The Committee shall have the authority to:

1. delegate approval-granting authority to pre-approve non-audit services by the external auditor to one or more of its members;

2. engage independent counsel and other advisors as it determines necessary to carry out its duties;

3.
4. set and pay the compensation for any advisors employed by the Committee;

5. communicate directly with the external auditors;

Reporting

The Committee shall report its deliberations and discussions regularly to the Board and shall submit to the Board the minutes of its meetings.

Resources

The Committee shall have full and unrestricted access to all of the Company's books, records, facilities and personnel as well as the Company's external auditors and shall have the authority, in its sole discretion, to conduct any investigation appropriate to fulfilling its responsibilities. The Committee shall further have the authority to retain, at the Company's expense, such special legal, accounting or other consultants or experts as it deems necessary in the performance of its duties and to request any officer or employee of the Company or the Company's external counsel or auditors to attend a meeting of the Committee.

Limitation on the Oversight Role of the Committee

Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

Each member of the Committee shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Company from whom he or she receives information, and the accuracy of the information provided to the Company by such persons or organizations.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Company's external auditors.

CERTIFICATE OF THE CORPORATION

Dated: July 4, 2012

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and New Brunswick.

SHOAL POINT ENERGY LTD.

(*Signed*) George Langdon
Chief Executive Officer and President

(*Signed*) R. Brian Murray
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(*Signed*) Norman D. Kelly
Director

(*Signed*) John Clarke
Director

CERTIFICATE OF THE PROMOTER

Dated: July 4, 2012

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and New Brunswick.

"George Langdon"

George Langdon, President and Chief Executive Officer

CERTIFICATE OF THE AGENT

Dated: July 4, 2012

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and New Brunswick.

KINGSDALE CAPITAL MARKETS INC.

By: *"Peter Notidis" (signed)*

Peter Notidis, Chief Financial Officer