Shoal Point Energy Ltd.

65 Queen Street West, Suite 510
Toronto, Ontario   M5H 2M5

Management Discussion and Analysis

For The Year Ended

January 31, 2013

The following Management Discussion and Analysis of Shoal Point Energy Ltd. ("Shoal Point" or the "Company") is prepared as of April 11, 2013 and should be read in conjunction with the audited financial statements for year ended January 31, 2013. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Company Profile

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

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

On October 10, 2012 the Company filed Articles of Amalgamation under the Business Corporations Act (Ontario), whereby the Company was amalgamated with Shoal Point Energy Inc. to form an amalgamated corporation operating under the name of "Shoal Point Energy Ltd." ("Shoal Point", "SPE" or the "Company"). All amounts herein reflect the financial effects of the amalgamation. Comparative figures also reflect the effects of amalgamation.

Exploration Activities and Outlook

During the year the Company concluded a farm-out agreement with Black Spruce Exploration Corp. (BSE), a subsidiary of Foothills Capital Corp. This agreement follows a letter of intent between the two parties as announced on Dec. 17, 2012. The agreement contemplates the continued exploration and development of SPE's approximately 720,000 gross acres of Green Point oil-in-shale rights in offshore west Newfoundland.

The terms of the agreement allow for two phases of earning during 2013 through to 2015, which give BSE the right to earn up to 60 per cent of SPE's working interests in its three exploration licences EL #1070, EL #1120, and EL #1097R. Details of this earning program are presented as follows.

Phase I earning program (2013 to 2014)

BSE will drill one well on each of exploration licences EL#1070, EL #1120 and EL #1097R.

. On EL #1070, the Shoal Point 3K39 well will, by June 15, 2013, be re-entered and sidetracked from surface casing to drill, stimulate, complete and evaluate prospective oil-bearing zones within the Green Point shale formation. Earning depth of the well will be 1,800 metres below sea level.
. On EL #1120, a well will be drilled, stimulated and completed to evaluate prospective oil-bearing zones within the Green Point shale formation. Earning depth of the well will be 3,000 metres below sea level.
. On EL #1097R, a well will be drilled, stimulated and completed to evaluate prospective oil-bearing zones within the Green Point shale formation. Earning depth of the well will be 3,000 metres below sea level.

Having met the conditions of the above program, BSE will earn a 40-per-cent interest in SPE's working interest rights, that is, 40 per cent of shallow rights in EL #1070, where SPE currently holds a 100-per-cent working interest, 40 per cent of all rights in EL #1097R, where SPE currently holds a 100-per-cent working interest, and 32 per cent of shallow rights in EL #1120, where SPE currently holds the right to earn an 80-per-cent working interest from Ptarmigan Energy Inc. by drilling a well to test the Green Point shale. (Note: The definition of shallow rights includes all Green Point rights on these properties.)

Optional phase 1 earning well

Upon rig release at the third earning well, BSE will have the right to elect, within a period of 60 days, to drill, stimulate, complete and evaluate a fourth well at a location of its choice, on either of the three exploration licences noted above, to earn an additional 10 per cent of SPE's working interest in all three properties. Having so elected, BSE will be required to spud this well by April 30, 2014.

If all the conditions of phase 1 earning are met, then BSE will hold a 50-per-cent working interest in SPE's rights in west Newfoundland (50 per cent of shallow rights in EL #1070, 50 per cent of all rights in EL #1097R and 40 per cent of shallow rights in EL #1120) at the conclusion of phase 1 earning.

Application for significant discovery licences

During phase 1 earning, upon the successful testing and recovery of petroleum in an exploration well on a particular licence, BSE and SPE will co-operate to apply to the Canada-Newfoundland Offshore Petroleum Board for a significant discovery licence (SDL) for that property, which, when awarded, will allow the parties to hold, develop and produce from the lands.

Phase II earning program (2014 to 2015)

Upon meeting all of the conditions of the phase I earning program, BSE will have the right to elect, by July 31, 2014, to proceed to the phase 2 earning program, whereby it can earn up to an additional 10-per-cent working interest in SPE's interests, as defined at the close of phase 1 above, by drilling up to eight wells at locations of BSE's choice across the three properties. The number and location of phase 2 earning wells must be specified upon election. Having so elected, BSE will have to spud the first phase 2 earning well by Sept. 15, 2014.

Each phase 2 earning well will consist of drilling, stimulation, completion and evaluation of the Green Point oil-in-shale formation, or equivalent units, to an earning depth of 3,000 metres below sea level.

Upon conclusion of each phase 2 earning well, BSE will earn an incremental 1.25-per-cent interest in all SPE's working interest rights in western Newfoundland, up to a maximum of 10 per cent. For example, if BSE concludes four of the eight earning wells, it will have earned an additional 5 per cent of SPE's interests and so on.

If the maximum earning conditions of the phase 1 earning program and phase 2 earning program are met, BSE will have earned 60 per cent of SPE's interests in west Newfoundland, as described above.

All wells in phases 1 and 2 are contemplated as sited at onshore locations and deviated to the offshore rights.

Operatorship

BSE will become the licensed operator of the wells once the appropriate regulatory approvals have been obtained and prior to the spudding of phase 1 wells.

Seismic program

The parties will, on a best-efforts basis and subject to the availability of a seismic vessel in western Newfoundland, jointly plan and shoot a 2-D seismic program over EL 1097R and EL 1120 in 2013 or 2014. The program will consist of approximately 130 line kilometres of data at an estimated cost of $1-million. BSE will be responsible for the first $1-million in associated expenditures, after which the parties will share any additional expenditures according to their final working interests in the farm-out lands once all earning operations are completed.

Area of mutual interest and exclusion area

The agreement establishes an area of mutual interest, which encompasses the existing farm-out lands described above, as well as an area of exclusion pertaining to other lands prospective for Green Point shale in western Newfoundland. The area of mutual interest provides a means for the partners to co-operate fully in future exploration and development outside the farm-out lands.

All drilling, testing, completion and seismic programs contemplated herein will be subject to approvals of the Canada-Newfoundland and Labrador Offshore Petroleum Board, and the Newfoundland and Labrador Department of Natural Resources.

Land Acquisitions

EL #1070 and #1120

In April 2011, Shoal Point concluded a Farmin agreement with Ptarmigan Energy Inc. ("PEI") of St. John's, Newfoundland and Labrador, with respect to EL #1120 in western Newfoundland, as originally announced in a Letter of Intent on February 10, 2011. Under the terms of the Farmin Agreement, Shoal Point has the right to earn into the "Shallow Rights" within a certain area of EL #1120 ("Farmout Lands") by paying to PEI $1,500,000, and by drilling a test well to assess the petroleum potential of the Green Point Formation, and paying a further $300,000 within two business days of such date. Once SPE has completed the earning requirements by making the aforementioned payments, and by drilling the test well, SPE will earn a 80% working interest in the "Shallow Rights" within the "Farmout Lands", with PEI retaining a 20% working interest therein. In order to earn its working interest in EL #1120, the Company was originally 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 was required to make a payment of $300,000 within two business days of such date as noted above. In January 2013, the Company paid cash of $300,000 and issued 500,000 warrants for total fair value consideration of $ 332,173, to extend the drilling date on which they were required to spud a test well on the Green Point formation from December 31, 2012 to January 15, 2015. As at January 31, 2013, the Company had not earned any working interest in EL #1120.

In October 2011 Shoal Point aquired CIVC's interest in EL #1070 and EL #1120 and thereby increased its interest from 80.75% to 100% It is also now earning up to an 80% working interest in the 67,298 acre block in EL #1120 pursuant to the farmin agreement with Ptarmigan Energy Ltd. Prior to this purchase, Shoal Point was only earning up to a 48% interest in EL #1120.

In addition, Shoal Point has acquired CIVC's interest in the Area of Mutual Agreement which governed numerous exploration lands in Western Newfoundland.

The consideration paid to CIVC included 20 million units 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 for a 2 year period. In addition, Shoal Point paid $300,000 on closing and agreed to pay an additional $200,000 six months after the closing. Shoal Point also issued an additional 1,000,000 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 were to be released to CIVC. As the final payment was made on the due date, the escrowed shares were then released to Shoal Point for cancellation. Additional consideration for the purchase of these additional interests included the cancellation of CIVC's outstanding share of exploration costs related to Well 3K-39 which amounted to approximately $2.6 million.

EL #1079R

In January 2012, the Company agreed to a transaction with NWest Oil and Gas Inc. ("NWest") to acquire up to a 100% undivided working legal and beneficial interest in and to EL #1097R. A 50% working interest in the license (the "First Transfer") was completed during fiscal 2012. The transfer of the remaining 50% interest in EL #1097R (the "Second Transfer") was conditional on the approval of the transfer by the majority of the shareholders of NWest, which was received on March 21, 2012. The Second Transfer was for 1,000,000 shares of the Company to NWest and 1,000,000 common share purchase warrants, where each warrant entitles the holder to acquire one common share of the Company at $0.39 for a period of two years from the date of issuance. If the Company spuds a well on the property, the Company is required to make an additional payment of 4,000,000 common shares to NWest, issue an additional 4,000,000 common share purchase warrants to NWest, where each additional warrant entitles NWest to acquire one common share at an exercise price equal to the 20 day weighted average price of the common shares prior to the date of issuance of the additional payment plus an additional 20% for an exercise period of two years from the date of issuance, and grant to NWest a 2% royalty on the property, with the Company having the right to purchase 0.75% of the royalty for $2,000,000 at any time.

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

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

<u>Summary of Results</u>

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 Company's interests currently include approximately 91% by surface area.

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

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

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

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

The Company has received a study from NuTech which compares average parameters of well known shale plays in the United States with those over the four test intervals, DST's #2 through #5, in the 3K39 well (DST #1 was not carried out after drillstring became stuck in the hole, as announced on April 19, 2012).

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

Overall Performance

As at January 31, 2013 the Company's cash position increased to $2,766,285 from $857,656 at the 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 Company will continue to focus on financing the oil and gas exploration program and maintenance of its interest in the three licensed properties.

Financing during the year consisted of a sum of $14,710,233 raised from the issuance of 139,582,871 shares issued in conjunction with 118,510,711 warrants. Exercise of warrants and options accounted for another 846,559 shares being issued for $165,449.

Selected Annual Information

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

For the years ended January 31	2013	2012
Net loss and comprehensive loss for the year	($2,097,662)	($1,885,764)
Basic and fully diluted earnings (loss) per share	($0.01)	($0.01)
Assets	$45,025,109	$31,327,063
Liabilities	$3,738,393	$2,416,990

Results of Operations

During the year ended January 31, 2013, the Company recorded a net loss and comprehensive loss of $2,097,662 ($0.01) per common share compared to a net loss of $1,885,764 ($0.01) per common share for the year ended January 31, 2012. During the years ended January 31, 2013 and 2012, the Company had no revenues from operations.

For the year ended January 31, 2013, there was interest expense of $39 (January 31, 2012 - $161,045), management fees of $411,000 (January 31, 2012 - $285,400), professional fees of $370,640 (January 31, 2012 - $315,664), office, general and administrative expenses of $709,122 (January 31, 2012 - $608,457), stock-based compensation of $206,430 (January 31, 2012 - $442,664), and consulting fees of $478,080 (January 31, 2012 - $877,976).

Overall, total expenses in fiscal 2012 were similar, other then the expense incurred on the convertible debt in 2012, lower stock-based compensation paid to directors, officers and employees of the Company during the current year and lower "consulting" fees, which were offset by higher office, general and administration expenses and higher management fees during the current year.

Summary of Quarterly Results

Quarterly Financial Information (unaudited)

For the three months ended		January 31, 2013	October 31, 2012	July 31, 2012	April 30, 2012
Net Income (loss) (in thousands)	$	(587) $	(501) $	(423) $	(586)
Net Income (loss) per share (Basic & Fully Diluted)	$	(0.00) $	(0.00) $	(0.00) $	(0.00)
Total Assets (in thousands)	$	44,714 $	40,738 $	40,620 $	39,420
Shareholders' equity (in thousands)	$	40,975 $	35,596 $	35,947 $	35,205

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

Recent accounting pronouncements

The IASB has issued IFRS 9 "Financial Instruments" which proposes to replace IAS 39 "Financial Instruments: Recognition and Measurement". 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 annual years beginning on or after January 1, 2015. The Company will evaluate the impact of the change to its 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. The Company does not anticipate the amendments to IAS 1 to have a material impact on its 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 financial statements:

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 retitled and 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 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 "Investments in Associates" and IAS 31 "Interest in Joint Ventures", and also introduces additional disclosure requirements that address the nature of, and risks associated with, and entity’s interests in other entities.

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 IFR

Liquidity

The Company has cash of $2,766,285 and other current assets to continue to operate during the upcoming year. However, ongoing oil and natural gas exploration expenditures and other operating expenditures will ultimately exhaust the resources of the Company. Accordingly, subsequent to the year-end, the Company raised the following funds:

In February 2013, the Company completed a private placement of 576,667 units at a price of $0.06 per unit for aggregate proceeds of $34,600. Each unit consisted of one common share and one common share purchase warrant where a full warrant entitles the holder to acquire one additional share at a price of $0.15 for a period of 18 months from the date of issuance. In connection with this financing, the Company paid cash commissions of $1,860 and issued 31,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.10 for a period of 18 months from the date of issuance.

Capital Resources

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

As at January 31, 2013, the Company's share capital was $56,169,319 (January 31, 2012 - $45,099,943) representing 383,585,180 (January 31, 2012 – 240,240,750) issued and outstanding common shares without par value. As at January 31, 2013, the Company had 160,711,156 (January 31, 2012 – 86,993,035) warrants outstanding exercisable at varying prices (see note 11(c) of the annual financial statements).

The Company's deficit was $28,109,967 as at January 31, 2013 (January 31, 2012- $26,012,305).

Off-Balance Sheet Transactions

The Company has no off balance sheet transactions.

Commitments and Contingencies

Please refer to note 10 of the financial statements 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, 2013 are $114,905 payable within one year and $290,308 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 of the financial statements. The stand-by letters of credit mature on January 24, 2014 and December 24, 2013, respectively.

The Company was named as a defendant in a lawsuit relating to the NWest transactions (see note 10 of the financial statements) by a third party relating to certain provisions made between Nwest and this third party. Management believes the claim to be frivolous towards the Company and without merit. No accruals have been made as a result.

RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

		January 31, 2013		January 31, 2012
Management fees and consulting fees expense:				
Management fees charged by officers for corporate administrative and financial management services	$	411,000	$	285,400
Consulting fees charged by officers for corporate administrative and financial management services	$	97,500	$	128,445
Rental income:				
Directors fees charged by directors for corporate governance services	$	13,000	$	3,000
Rental income:				
Rent (office premises) charged to companies with common directors as the Company.	$	46,800	$	7,200
Stock based compensation, directors	$	-	$	185,400
Consulting fees charged by officer included in Oil and natural gas properties	$	180,000	$	-

(a) Included in accounts payable and accrued liabilities is $100,413 (2012 - $36,189) to directors and companies with common directors as a result of consulting fees and reimbursement expense payable.

(b) Included in loans receivable is $27,000 (2012 - $264,000) from corporations which have common officers and directors as the Company, and directors and officers of the Company.

The remuneration of the members of key management personnel during the year was as follows:

		2013		2012
Management fees	$	411,000	$	285,400
Consulting fees		94,500		128,445
Directors fees		13,000		3,000
Stock-based compensation		-		185,400
Consulting fees (included in Oil and natural gas properties)		180,000		-
	$	698,500	$	602,245

Private Placements

Shares issued during year ended January 31, 2013

(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 common share at a price of $0.30 for 18 months. In connection with this financing, the Company 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 to the financial statements). 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.

(iii) In June 2012, the Company completed a private placement of 7,242,860 units at a price of $0.14 per unit and 625,000 flow-through units at a price of $0.16 per flow-through unit for aggregate proceeds of $1,114,000. 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 $0.20 per a common share for a period of 18 months from the date of issuance. The Company paid cash commissions of $66,000 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 valued at $30,276 pursuant to the financing.

(iv) In October 2012, the Company completed a private placement of 2,016,664 units at a price of $0.06 per unit and 200,000 flow-through units at a price of $0.06 per flow-through unit for aggregate proceeds of $133,000. Each unit consists of one common share of the Company and 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 $0.15 per a common share for a period of 18 months from the date of issuance. The Company paid cash commissions of $6,960 and issued 57,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.15 for a period of 18 months valued at $1,365 pursuant to the financing.

(v) During the fourth quarter of the year, the Company completed a private placement of 95,421,887 units at a price of $0.06 per unit and 12,298,667 flow-through units at a price of $0.06 per flow-through unit for aggregate proceeds of $6,463,233. Each unit consists of one common share of the Company and 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 $0.15 per a common share for a period of 18 months from the date of issuance. The Company paid cash commissions of $170,483 and issued 3,072,050 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.10 for a period of 18 months valued at $97,182 pursuant to the financing.

(vi) In January 2013, in respect of the fourth quarter private placement noted above the Company paid finder’s fees for which they issued 1,050,000 units valued at $125,600. Each unit was comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.15 for a period of 18 months. The total fair value of the consideration received from the holders for the services provided 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. The total fair value of the common shares issued as part of the units was $94,500, with the total value of the warrants being $31,100.

(vii) In January 2013, the Company paid cash of $300,000 and issued 500,000 warrants valued at $32,173 to Ptarmigan Energy Inc. (“Ptarmigan”) to extend the drilling date on which they were required to spud a test well on the Green Point formation from December 31, 2012 to January 15, 2015 (see Note 10). Each warrant entitles Ptarmigan to acquire one common share of the Company at a price of $0.06 for a period of two years. The total fair value of the consideration received from Ptarmigan for the extension 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.

Outstanding Share Data

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

	Number Issued and Outstanding January 31, 2013	Number Issued and Outstanding January 31, 2012
Common Shares issued and outstanding	383,585,180	240,240,750
Options to purchase Common Shares	13,000,000	16,575,000
Warrants to purchase Common shares	160,711,156	86,993,035

Subsequent Events

In February 2013, the Company completed a private placement of 576,667 units at a price of $0.06 per unit for aggregate proceeds of $34,600. Each unit consisted of one common share and one common share purchase warrant where a full warrant entitles the holder to acquire one additional share at a price of $0.15 for a period of 18 months from the date of issuance. In connection with this financing, the Company paid cash commissions of $1,860 and issued 31,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.10 for a period of 18 months from the date of issuance.

On March 6, 2013 the terms of the convertible debt (See Note 9 to the financial statements) were amended. The amended convertible debt will continue to bear interest at the prime rate, and the principal and interest must be paid in full on demand, for which demand may be made by the holder on the earlier of (i) April 30, 2014; and (ii) 12 months from the date that the Company lists on the TSX Venture Exchange. Any outstanding balance on the convertible debt can now be converted into shares of the Company by the holder at a price of $0.10 per a share.

In March 2013, the Company also granted an additional 18,500,000 stock options to directors, officers and consultants of the Company. These options are all exercisable at a price of $0.15 with terms of 5

Risks and Uncertainties

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

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

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

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

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

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

Environmental Risks and Hazards

All phases of the Company's exploration operations are subject to environmental regulations in the jurisdictions it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests, which are unknown to the Company at present and which may have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of oil and natural gas properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities which may cause operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in oil and natural gas operations may be required to compensate those suffering loss or damage by reason of the oil and natural gas activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

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

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

Critical Accounting Estimates

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

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

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

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

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

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

There have been no significant changes to the Company's disclosure controls and procedures and internal controls over financial reporting that occurred during the year ended January 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

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

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as well as internal controls over financial reporting at the end of the year covered by this MD&A and has concluded that the above named control processes and procedures are appropriately designed and effective as at January 31, 2013.

Caution Regarding Forward Looking Statements

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

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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

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

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

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

Signed

"*Brian Murray*"

Brian Murray
Chief Financial Officer
April 11, 2013