SHOAL POINT ENERGY LTD.
(An Exploration Stage Enterprise)
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIODS ENDED APRIL 30, 2013 AND 2012

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Notice to Reader – From Shoal Point Energy Ltd.

The interim unaudited financial statements of Shoal Point Energy Ltd. (the "Company") including the accompanying statements of financial position as at April 30, 2013 and January 31, 2013 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the three month and nine month periods ended April 30, 2013 and 2012 are the responsibility of the Company's management. The interim unaudited 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 financial statements.

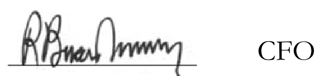
SHOAL POINT ENERGY LTD.
(An Exploration Stage Enterprise)
INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT
(UNAUDITED)

	April 30, 2013	January 31, 2013
ASSETS		
Current		
Cash	$ 631,707	$ 2,766,285
Accounts receivable (Note 6)	98,070	54,945
Prepaid expenses and deposit (Note 7)	2,085,709	2,212,242
	2,815,486	5,033,472
OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT (Note 9)	40,244,859	39,991,637
	$ 43,060,345	$ 45,025,109
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,539,469	3,053,050
Flow-through share premium	385,343	385,343
Long term loans and advances payable (Note 8)	300,000	300,000
	2,224,812	3,738,393
SHAREHOLDERS' EQUITY		
Share capital (Note 10(a))	$ 56,288,310	56,169,319
Warrants (Note 10(c))	10,476,067	10,447,315
Contributed surplus	3,979,854	2,780,049
Deficit	(29,908,698)	(28,109,967)
	40,835,533	41,286,716
	$ 43,060,345	$ 45,025,109

COMMITMENTS AND CONTINGENCIES (Note 11)
SUBSEQUENT EVENTS (Note 14)

Approved on behalf of the board:

President

 CFO

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

SHOAL POINT ENERGY LTD.
(An Exploration Stage Enterprise)
INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE THREE MONTH PERIODS ENDED APRIL 30,
(UNAUDITED)

	Three Months	
	2013	2012
Expenses		
Office, general and administrative	**$ 182,495**	$ 221,835
Directors' fees	**-**	5,000
Management fees (Note 12)	**140,000**	120,000
Consulting fees (Note 12)	**186,383**	106,437
Stock-based compensation (Note 10(b))	**1,199,805**	17,571
Professional fees	**71,274**	102,693
Depreciation	**413**	516
Rent	**31,938**	34,713
Loss from operations	**1,812,308**	608,765
Interest and other income	**(13,577)**	(22,490)
Net loss and comprehensive loss for the period	**(1,798,731)**	(586,275)
Loss per share		
Basic and fully diluted (Note 13)	**$ (0.01)**	$ (0.00)
Weighted average number of common shares outstanding	**384,384,734**	260,267,724

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

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

(UNAUDITED)

	Share capital		Warrants				
	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	21,777,793	5,903,408	-	-	-	-	5,903,408
Shares issued for property	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
Premium on flow-through shareissuances	-	(290,366)	-	-	-	-	(290,366)
Fair value of options granted	-	-	-	-	17,571	-	17,571
Options exercised	-	-	-	-	(12,220)	-	(12,220)
Broker warrants issued	-	-	1,303,666	178,660	-	-	178,660
Warrants issued upon unit financings	-	-	10,888,897	1,096,592	-	-	1,096,592
Adjustment for previously issued shares	865,000	-	-	-	-	-	-
Warrants issued for property	-	-	1,000,000	125,807	-	-	125,807
Warrants exercised/expired	-	-	(646,559)	(50,958)	-	-	(50,958)
Share issuance costs	-	(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
Balance, February 1, 2013	383,585,180	$ 56,169,319	160,711,156	$ 10,447,315	$ 2,780,049	$ (28,109,967)	$ 41,286,716
Shares issued for cash (Note 10(a)(i))	576,667	13,990	-	-	-	-	13,990
Shares issued for services (Note 10(a)(ii)(iii))	1,250,000	106,861	-	-	-	-	106,861
Warrants issued for services(Note 10(a)(ii))	-	-	250,000	8,139	-	-	8,139
Fair value of options granted	-	-	-	-	1,199,805	-	1,199,805
Broker warrants issued (Note 10(a)(i))	-	-	43,000	1,840	-	-	1,840
Warrants issued upon unit financings (Note 10(a)(i))	-	-	576,667	18,773	-	-	18,773
Warrants expired	-	-	(8,701,648)	-	-	-	-
Broker warrants expired	-	-	(97,058)	-	-	-	-
Share issuance costs (Note 10(a)(i))	-	(1,860)	-	-	-	-	(1,860)
Net loss for the period	-	-	-	-	-	(1,798,731)	(1,798,731)
Balance, April 30, 2013	385,411,847	$ 56,288,310	152,782,117	$ 10,476,067	$ 3,979,854	$ (29,908,698)	$ 40,835,533

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

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

	Three Months	
	2013	2012
Cash flows from operating activities		
Net loss for the period	**$ (1,798,731)**	$ (586,275)
Adjustments not effecting cash:		
Depreciation	**413**	516
Stock-based compensation	**1,199,805**	17,571
Other income (non-cash)	**(11,700)**	-
Interest income	**-**	(4,500)
	(610,213)	(572,688)
Changes in non-cash working capital		
Accounts receivable	**(43,125)**	(671,589)
Prepaid expenses and deposits	**126,533**	(389,423)
Accounts payable and accrued liabilities	**(1,513,580)**	1,507,471
Cash flows provided by (used in) operating activities	**(2,040,385)**	(126,229)
Cash flows from investing activities		
Recoveries from insurance on oil and natural gas properties	**295,436**	-
Acquisition of oil and natural gas properties	**(537,373)**	(6,515,127)
Cash flows used in investing activities	**(241,937)**	(6,515,127)
Cash flows from financing activities		
Issuance of common shares	**149,604**	7,165,450
Share issuance costs - cash	**(1,860)**	(417,003)
Cash flows provided by financing activities	**147,744**	6,748,447
Net increase in cash	**(2,134,578)**	107,091
Cash, beginning of period	**2,766,285**	857,656
Cash, end of period	**$ 631,707**	$ 964,747

The accompanying notes are an integral part of these interim 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.

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. (the "Company"). All amounts herein reflect the financial effects of the amalgamation. Comparative figures also reflect the effects of amalgamation.

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

The interim financial statements for year ended April 30, 2013 (including comparatives) were approved and authorized for issue by the board of directors on June 27, 2013.

The accounting policies applied in preparing the interim financial statements for the period ended April 30, 2013 and 2012 are set out in Note 3.

Basis of Measurement and Principles of Consolidation

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

Functional and Presentation Currency

These interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of Estimates and Judgement

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

Significant estimates used in the preparation of these financial statements include, but are not limited to, the recoverability of oil and natural gas properties, 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 "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 IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all periods presented in these interim 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". The Company's oil and natural gas properties will be moved into developed oil and natural gas properties when they are determined to meet certain technical feasibility and commercial viability thresholds as determined by management. Upon transfer to developed oil and natural gas properties, these E&E assets are assessed for impairment in addition to regular impairment reviews to ensure that they are not carried at amounts above their recoverable values.

Expenditures on developed oil and natural gas properties such as drilling of development wells, tangible costs of facilities and infrastructure construction will be capitalized to developed 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.

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 the convertible debt, and 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 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 cost 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 are 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 statements of financial position are classified using a financial value hierarchy that reflects the significance of the inputs used in making 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 and property deposits which are recorded at FVTPL, are 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.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations, and are all due within one year.

As at April 30, 2013 the Company held cash of $631,707 (January 31, 2013 - $2,766,285) to settle current liabilities of $1,924,812.

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, accounts receivable and loans 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, 2013 was $40,835,533 (January 31, 2013 - $41,286,716).

There were no changes in the Company's approach to capital management during the period ended April 30, 2013 and the Company is not subject to any externally imposed capital requirements, other than its expenditure requirements on its flow-through shares of $550,000.

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, 2013	January 31, 2013
GST/HST receivable	**$ 48,569**	$ 47,695
Subscription receivable	**-**	500
Other receivable	**49,501**	6,750
	$ 98,070	$ 54,945

7. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of the following:

		April 30, 2013		January 31, 2013
(i) Property deposits	**$**	**2,000,000**	$	2,000,000
(ii) Property well costs advanced		**29,261**		89,261
Other		**56,448**		122,981
	$	**2,085,709**	$	2,212,242

(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, 2013 - $1,000,000 total) with the Canada-Newfoundland and Labrador Offshore Petroleum Board ("CNLOPB"). The two guaranteed investment certificates have maturities of January 24, 2014 and December 24, 2013, and bear interest at 0.75% and 0.85%, respectively. 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 as a drilling deposit on exploration license #1097R respectively.

In January 2013, the Company forfeited a $1,000,000 drilling deposit with the CNLOPB with respect to exploration license #1097R (see Note 10).

(ii) Amounts advanced to contractors and as of April 30, 2013 have not been spent.

8. CONVERTIBLE DEBT

		April 30, 2013		January 31, 2013
Convertible debt	**$**	**300,000**	$	300,000

Convertible debt as at April 30, 2013 consisted of an unsecured convertible promissory note in the amount of $300,000 that bore 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.

Subsequent to period $100,000 of the convertible debt was retired through a cash payment and $60,000 was converted into units of the current financing.

9. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

	Oil and natural gas properties	Website	Computer equipment	Computer software	Total
Cost					
Balance at February 1, 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
Additions	12,409,084	-	1,580	-	12,410,664
Balance at January 31, 2013	$ 39,981,798	$ 6,225	$ 8,685	$ 5,261	$ 40,001,969
Additions	549,071	-	-	-	549,071
Recovery(insurance)	(295,436)	-	-	-	(295,436)
Balance at April 30, 2013	**$ 40,235,433**	**$ 6,225**	**$ 8,685**	**$ 5,261**	**$ 40,255,604**
Accumulated Amortization					
Balance at February 1, 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
Amortization for the period	-	478	751	836	2,065
Balance at January 31, 2013	$ -	$ 4,313	$ 3,582	$ 2,437	$ 10,332
Amortization for the period	-	96	150	167	413
Balance at April 30, 2013	**$ -**	**$ 4,409**	**$ 3,732**	**$ 2,604**	**$ 10,332**
Carrying Amounts					
As at January 31, 2012	$ 27,572,714	$ 2,390	$ 4,274	$ 3,660	$ 27,583,038
As at January 31, 2013	$ 39,981,798	$ 1,912	$ 5,103	$ 2,824	$ 39,991,637
As at April 30, 2013	**$ 40,235,433**	**$ 1,816**	**$ 4,953**	**$ 2,657**	**$ 40,244,859**

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

Western Newfoundland

At April 30, 2013 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").

The Company’s working interest in EL #1070 Shallow Rights is subject to a gross overriding royalty to be paid of 1.38% for any monthly extraction and production of petroleum from the areas covered by this exploration license.

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. 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. The total fair value of the consideration received 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. As at April 30, 2013, 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 in the prior year 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 was required to be spudded on the property by January 15, 2013, for which an extension was given to January 15, 2014 by the Canada-Newfoundland and Labrador Petroleum Board as a further $1,000,000 refundable property deposit was made to them during the year. The $1,000,000 originally deposited with the CNLOPB with respect to EL #1097R and included in prepaid expenses and deposits as at January 31, 2012 was forfeited during the year as the Company had not spudded a well on the property as required to do so by January 15, 2013.

In December 2012, the Company signed a Letter of Intent regarding a proposed transaction between the Company, and Foothills Capital Corp. ("FCC") and its subsidiaries, Black Spruce Exploration Corp. (“BSE”), and Foothills North West Holdings Corp. (“FNW”). BSE and FNW entered into Definitive Agreements with the Company on January 11, 2013, whereby (1) FNW participated in the Company's January 2013 private placement (Note 11(a)(v)) for 35 million units at a price of $0.06 per unit (representing a $2.1 million investment) where each unit consists of a common share of the Company and a common share purchase warrant exercisable for 18 months from the date of issuance at a price of $0.15 per common share, and whereby (2) BSE executed a farm-in agreement giving it the right to earn up to a 60% interest of the Company’s interests in its three Offshore Exploration Licenses #1070, #1120 and #1097R. The Company also paid FCC finder's fees for which the Company issued 1,050,000 units, where each unit was comprised of one share of the Company and one common share purchase warrant (see Note 11(a)(vi)). The earn in will occur by a staged work program whereby BSE can earn incremental components of interest by drilling on the Company’s lands as follows:

Phase I Earning (2013-2014): During this phase BSE will pay 100% of the costs of drilling, testing and completing four wells on the Company’s three Offshore Exploration Licenses #1070, #1120 and #1097R, to earn BSE a 50% interest of the Company’s interest in these three Offshore Exploration Licenses. This phase is expected to commence by May 1, 2013.

Phase II Earning (2014-2015): During this phase BSE will pay 100% of the costs of drilling, testing and completing up to eight wells to earn up to an additional 10% of the Company's interest in these three Offshore Exploration Licenses.

10. EQUITY INSTRUMENTS

(a) **Share Capital**

(i) 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 18 months. In connection with this financing, the Company paid cash commissions of $1,860 and issued 43,000 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 valued at $1,839 pursuant to the financing.

(ii) In March 2013, the Company issued 250,000 units valued at $15,000 for service. 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 vlaued at $8,139.

(iii) On April 17, 2013, the Company settled $100,000 of trade payables by issuing 1,000,000 common shares of the Company.

(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 an 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 year ended April 30, 2013.

The following table summarizes information concerning the Company's stock options outstanding as at April 30, 2013:

	Number of Options	Weighted Average Exercise Price
Outstanding as at January 31, 2013	13,000,000	$ 0.28
Granted	18,500,000	0.15
Outstanding as at April 30, 2013	**31,500,000**	**$ 0.20**

The weighted average share price on the date of exercise of the options was $0.20 per share.

The following common share purchase options are outstanding at April 30, 2013:

	Date of Grant	Number of Shares	Exercise Price	Expiry Date
Directors	October 29, 2010	3,500,000	$ 0.25	October 29, 2015
	February 22, 2011	900,000	$ 0.40	February 22, 2016
	October 26, 2011	250,000	$ 0.30	October 26, 2016
	March 13, 2013	8,700,000	$ 0.15	March 13, 2018
Officers	October 29, 2010	1,850,000	$ 0.25	October 29, 2015
	March 13, 2013	3,600,000	$ 0.15	March 13, 2018
Service Providers	October 29, 2010	2,100,000	$ 0.25	October 29, 2015
	December 16, 2010	450,000	$ 0.28	December 16, 2013
	June 21, 2011	450,000	$ 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
	May 1, 2012	600,000	$ 0.40	May 1, 2017
	May 1, 2012	700,000	$ 0.40	May 1, 2014
	March 13, 2013	6,200,000	$ 0.15	March 13, 2018
		31,500,000		

The fair value of share purchase options granted during the period ended April 30, 2013 of $1,199,805 (January 31, 2012 - $206,430) has been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.10; risk free rate of 1.37%; expected term of 5 years; exercise price of the option of $0.15 per share; volatility of 100% (based on comparable companies); and expected future dividends of nil.

Stock based compensation recognized during the period ended April 30, 2013 was $1,199,805 (2012- $17,571). All options outstanding on April 30, 2013 are fully vested.

(c) **Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the year ended April 30, 2013:

	Number of warrants	Amount	Weighted-average Strike Price
Opening, January 31, 2013	160,711,156	$ 10,447,315	$ 0.24
Warrants issued upon unit financings	576,667	18,773	0.15
Broker Warrants issued	43,000	1,840	0.10
Warrants issued for services	250,000	8,139	0.15
Warrants expired or cancelled	(8,701,648)	-	0.33
Broker Warrants expired or cancelled	(97,058)	-	0.19
Outstanding and exercisable - April 30, 2013	152,782,117	$ 10,476,067	$ 0.24

The fair value of warrants issued upon unit financings during the period ended April 30, 2013 of $18,773 has been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.10; risk free rate of 1.10%; expected term of 1.5 years; exercise price of the warrants of $0.15; 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, 2013 of $1,840 was also estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.10; risk free rate of 1.10%, expected term of 1.5 years, exercise price of the broker warrants of $0.10; volatility of 100% (based on comparable companies); and expected future dividends of nil.

The fair value of warrants granted for service during the period ended April 30, 2013 of $8,139 has been estimated using the Black-Scholes pricing model with the following assumptions: market value of underlying stock of $0.10; risk free rate of 1.10%; expected term of 1.5 years; exercise price of the warrant of $0.15 per share; volatility of 100% (based on comparable companies); and expected future dividends of nil.

At April 30, 2013, the following warrants were outstanding. All warrants issued during the year and warrants outstanding as at April 30, 2013, 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 (in years)	Number exercisable
$0.10	3,172,053	1.12	3,129,053
$0.14	466,072	0.83	466,072
$0.15	106,064,551	1.20	106,064,551
$0.16	1,313,216	0.40	1,313,216
$0.20	3,933,930	0.83	3,933,930
$0.27	222,222	0.54	222,222
$0.30	15,491,587	0.30	15,491,587
$0.32	1,081,444	0.55	1,081,444
$0.39	1,000,000	1.14	1,000,000
$0.40	11,000,000	0.74	11,000,000
$0.45	9,037,042	0.55	9,037,042
	152,782,117	1.15	152,739,117

11. COMMITMENTS AND CONTINGENCIES

Please refer to note 9 for the Company's commitments with respect to its oil and natural gas property.

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, 2014 and December 24, 2013, respectively.

The Company was named as a defendant in a lawsuit relating to the NWest transactions (see note 9) 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.

12. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

	April 30, 2013	April 30, 2012
Management fees and consulting fees expense:		
Management fees charged by officers for corporate administrative and financial management services	**$ 140,000**	$ 120,000
Consulting fees charged by officers for corporate administrative and financial management services	**$ 47,250**	$ 32,250
Director fees:		
Directors fees charged by directors for corporate governance services	**$ -**	$ 5,000
Rental income:		
Rent (office premises) charged to companies with common directors as the Company.	**$ 11,700**	$ 14,400

(a) Included in accounts payable and accrued liabilities is $57,025 (January 31, 2013- $9,424) to directors and companies with common directors as a result of consulting fees and reimbursement expense payable.

13. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the 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, and upon conversion of the convertible debt. As the Company is in a loss position for the years ended April 30, 2013 and 2012, the inclusion of options, warrants and convertible debt in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

14. SUBSEQUENT EVENTS

Subsequent to April 30, 2013, $160,000 of the convertible debt was retired through a cash payment and of that $60,000 was converted into units of the current financing.

Subsequent to April 30, 2013, the Company closed a financing $1,168,533 from the issuance of 19,395,556 common share units at $0.06 and 80,000 flow through common share units at $0.06. The common share units are comprised of one common share and one full warrant whereby each warrant entitles the holder to acquire one additional common share at a price of $0.15 for a period of 24 months. The flow through common share units include one 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 $0.15 for a period of 24 months. In connection with this financing, the Company paid $32,492 cash commissions and issued 541,533 broker warrants where each warrant entitles the holder to acquire one common share at a price of $0.10 for a period of 18 months.