SHOAL POINT ENERGY LTD.
(an exploration stage enterprise)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JANUARY 31, 2011 and 2010

INDEX

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

SLF

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Shoal Point Energy Ltd.

We have audited the accompanying consolidated financial statements of Shoal Point Energy Ltd., which comprise the consolidated balance sheet as at January 31, 2011 and 2010 and the consolidated statement of operations, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shoal Point Energy Ltd. as at January 31, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

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

Schwartz Levitsky Feldman llp

Toronto, Ontario
May 30, 2011

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Licensed Public Accountants

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Shoal Point Energy Ltd.
(an exploration stage enterprise)
CONSOLIDATED BALANCE SHEETS
AS AT JANUARY 31, 2011 and 2010

		2011		2010
ASSETS				
Current				
Cash	$	**430,516**	$	6,517
Amounts receivable (Note 5)		**1,032,185**		26,829
Prepaid expenses and deposits (Note 6)		**4,281,702**		37,500
		5,744,403		70,846
Property and equipment (Note 3)		**3,209,480**		5,051
	$	**8,953,883**	$	75,897
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**1,093,259**	$	509,178
Convertible debt (Note 7)		**-**		2,180,931
		1,093,259		2,690,109
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Equity instruments (Note 4(b))		**29,321,312**		16,008,316
Contributed surplus (Note 4(j))		**2,152,846**		632,018
Equity portion of convertible debt (Note 7)		**-**		460,546
Deficit		**(23,613,534)**		(19,715,092)
		7,860,624		(2,614,212)
	$	**8,953,883**	$	75,897

NATURE OF OPERATION AND GOING CONCERN ASSUMPTION (Note 1)
RELATED PARTY ADVANCES AND TRANSACTIONS (Note 10)
COMMITMENTS AND CONTINGENCIES (Note 12)
SUBSEQUENT EVENTS (Note 13)

Approved on behalf of the board:

_____________________ President

_____________________ CFO

Shoal Point Energy Ltd.
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT FOR THE YEARS ENDED JANUARY 31, 2011 and 2010

	2011	2010
Expenses		
Amortization	**$ 5,667**	$ 1,627
Interest expense	**806,591**	360,674
Management fees	**249,015**	420,000
Impairment(recovery) of oil and gas properties (Note 3)	**(22,500)**	2,527,589
Legal and accounting fees	**244,811**	953,199
Office, general and administrative	**225,108**	95,630
Rent	**70,831**	52,451
Stock-based compensation (Note 4(h))	**1,299,940**	204,038
Travel	**108,912**	156,007
Consulting fees	**444,908**	16,175
Directors' fees	**37,000**	72,000
	3,470,283	4,859,390
Gain on extinguishment of debt (Note 7)	**-**	(26,435)
Interest and other income	**(3,346)**	(943)
Loss before income tax	**(3,466,937)**	(4,832,012)
Future income tax (recovery)	**-**	(16,000)
Loss and comprehensive loss for the year	**(3,466,937)**	(4,816,012)
Deficit**,** beginning of year	**(19,715,092)**	(14,185,102)
Modification of warrants (Note 4(i))	**(431,505)**	(713,978)
Deficit**,** end of year	**$ (23,613,534)**	$ (19,715,092)
Loss per share	**(0.04)**	(0.08)
Weighted average number of shares outstanding - basic and diluted	**77,136,423**	61,548,992

Shoal Point Energy Ltd.
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Net loss for the year	**$ (3,466,937)**	$ (4,816,012)
Adjustment for non-cash items:		
Amortization	**5,667**	1,627
Stock-based compensation	**1,299,940**	204,038
Impairment(recovery) of oil and natural gas properties	**(22,500)**	2,527,589
Future income tax (recovery)	**-**	(16,000)
Accretion of interest on convertible debt (Note 7)	**437,709**	22,837
Gain on debt settlement (Note 7)	**-**	(26,435)
	(1,746,121)	(2,102,356)
Changes in non-cash working capital		
Accounts receivable	**(1,005,356)**	44,889
Prepaid expenses and deposits	**(4,244,202)**	46,675
Accounts payable and accrued liabilities	**584,081**	517,081
Cash flows used in operating activities	**(6,411,598)**	(1,493,711)
Cash flows from investing activities		
Acquisition of capital asset	**-**	(1,025)
Acquisition of oil and natural gas properties	**(3,104,292)**	-
Cash flows used in investing activities	**(3,104,292)**	(1,025)
Cash flows from financing activities		
Issuance of equity instruments	**11,188,525**	100,845
Repayment of demand note payable	**-**	(1,600,000)
(Repayment) increase in convertible note payable	**(1,248,636)**	2,180,931
Cash flows provided from financing activities	**9,939,889**	681,776
Net increase(decrease) in cash during the year	**423,999**	(812,960)
Cash, beginning of year	**6,517**	819,477
Cash, end of year	**$ 430,516**	$ 6,517

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Shoal Point Energy Ltd. was incorporated on December 22, 2006 under the Business Corporations Act (Alberta). The Company was incorporated for the purpose of acquisition, exploration and development of oil and natural gas properties in Canada. On October 26, 2010, the Company filed article of continuance in Ontario under the name of Shoal Point Energy Inc.

On October 14, 2010, Allied Northern Capital Corporation ("Allied") a non-operating public enterprise, agreed on a share exchange transaction with Shoal Point Energy Inc. ("SPE"), a non-public operating enterprise, which was completed on November 9, 2010. The transaction has been accounted for as a reverse takeover acquisition, as described in Note 4(b), whereby SPE became a wholly owned subsidiary of Allied. On November 23, 2010, the Canadian National Stock Exchange ("CNSX") authorized the completion of the reverse takeover or qualifying transaction and the name change from Allied to Shoal Point Energy Ltd. (the "Company"). On November 23, 2010, SPE began trading on the CNSX under the symbol SHP.

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

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

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

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

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these consolidated financial statements.

While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

The consolidated financial statements of the Company have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the significant policies summarized below.

(a) Oil and natural gas properties

The Company follows the full cost method of accounting for its oil and natural gas properties. All costs relating to the acquisition, exploration and development of oil and natural gas reserves, net of revenues, are capitalized. Such costs include those related to lease acquisition, geological and geophysical activities, lease rentals on undeveloped properties, and the drilling of productive and non-productive wells. Overhead, which is directly attributable to acquisition, exploration and development activities, is capitalized as part of oil and natural gas properties.

Once in commercial production, costs capitalized will be depleted using the unit of production method, based on estimated proven oil and natural gas reserves, before royalties, as determined by independent engineers. Oil and natural gas reserves are converted to a common unit of measure on the basis of 6 million cubic feet to 1 barrel of oil equivalent based on energy equivalency. The carrying value of unevaluated properties is excluded from the depletion calculation and they are assessed periodically to determine whether an impairment in value has occurred.

Dispositions of properties are analyzed based on the Company's depletion rates. Unless a significant amount of reserves are involved, proceeds received from the disposition of oil and natural gas properties are credited to the capitalized costs. In the event a disposition results in a significant change (of at least 20%) in the Company's depletion rate, a proportionate amount of cost and accumulated depletion based on the ratio of reserves to total reserves, will be removed from capitalized cost and the resultant gains or losses taken to the statement of operations. To date, as the Company has yet to commence active operations, there has been no depletion recorded.

Once in commercial production, the Company performs a ceiling test on properties which restricts the capitalized costs less accumulated depletion from exceeding an amount equal to the estimated undiscounted value of future net revenues from proven oil and natural gas reserves, as determined by independent engineers, based on sales prices achievable under existing contracts and posted average reference prices in effect between the end of the year and the finalization of the year end and current costs, and after deducting estimated production related expenses. If the carrying value of the capitalized costs exceeds the undiscounted cash flows, an impairment loss will be determined. The impairment loss is measured as the amount by which the carrying amount of assets capitalized exceeds the fair value of proven and probable reserves and the costs less any impairment of unproved properties that have been subject to a separate test for impairment and contain no probable reserves. If it is determined that the carrying value is not recoverable, an impairment loss is recognized in the statement of operations as additional depletion and depreciation. Fair value is based on discounted expected future net revenues from proven and probable reserves less general and administrative expenses, financing costs, site restoration cost and income taxes related to future production. The Company did not apply a ceiling test in 2009 or 2008 because it is in the development stage and no proven reserves have been established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition

Interest revenue is recognized as earned and when collection is reasonably assured.

(c) Asset retirement obligations

The Company recognizes the estimated fair value of an Asset Retirement Obligation ("ARO") in the period in which it is incurred. The fair value of the estimated ARO is recorded as a liability with a corresponding increase in the carrying amount of the related asset. ARO obligations are initially measured at fair value and subsequently adjusted for the accretion and any changes to the underlying cash flows. The capitalized amount is depleted on a unit of production basis over the life of the proven reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted cost would also result in an increase or decrease to the ARO. Actual costs incurred are charged against the ARO to the extent of the recorded liability. Any difference between the actual costs incurred and the recorded liability is recognized as a gain or loss in the period in which the costs are incurred. As at January 31, 2011 and 2010, the Company has not incurred any asset retirement obligations.

(d) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are based on the differences between assets and liabilities reported for accounting purposes from those reported for income tax purposes. Future tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the asset is realized or the liability is settled. The effect of a change in rates on future tax assets and liabilities is recognized in operations in the period in which the change occurs. Future income tax assets are recognized if such assets are more than not to be realized, otherwise a valuation allowance is taken.

(e) Convertible debt

The Company accounts for its convertible debt in accordance with the substance of the contractual arrangement on initial recognition. Therefore, as a result of the conversion feature of the debt, the Company's convertible instruments have been segregated between debt and equity based on the fair value of the debt components. The difference between the estimated fair value of the debt at issuance and the face amount is reflected as "Equity portion of convertible debt" in shareholders' equity and as a discount in that amount to the liability portion of the debt. This discount is being accreted to the principal face amount as additional interest expense over the term of the liability using the effective interest rate method.

The fair value of the liability portion of a convertible debt is determined using a market interest rate for an equivalent non-convertible debt. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion right when such conversion right represents equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

The Company follows the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1530, Comprehensive Income and Section 3855, Financial Instruments - Recognition and Measurement.

Financial assets

Held for trading assets are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are subsequently re-measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently re-measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently re-measured at fair value with the changes in fair value recorded in other comprehensive income.

Financial liabilities

Held for trading liabilities are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently re-measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Cash	Held-for-trading
Amounts and share subscription receivable	Loan and receivable
Accounts payable and accrued liabilities	Other liabilities
Convertible debentures	Other liabilities

Comprehensive income

Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. To date there has not been any other comprehensive income and accordingly, a statement of comprehensive income has not been presented.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Company's financial instruments measured at fair value on the balance sheet consist of cash which is measured at level 1 of the fair value hierarchy.

(g) Loss per share

The computation of loss per share and diluted loss per share amounts are based upon the weighted average number of outstanding common shares during the year. Dilution is calculated based on the net number of common shares issued should "in the money" options, warrants and conversion rights be exercised and the proceeds used to purchase common shares at the weighted average market price in the period, using the treasury stock and "if converted" methods. As a result of net losses, the exercise of options, warrants and convertible debt are excluded as they are anti-dilutive.

(h) Measurement uncertainty

Areas requiring the use of significant management estimates relate to the equity portion of convertible debt, valuation allowance for future income taxes, and impairment, if any, of oil and gas properties.

The future recoverability of the oil and natural gas properties is based on estimates of proven reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in estimates in future periods could be significant.

The estimates of future cash flow requirements for Farm-out agreement commitments are based upon management's best estimate of the future costs. The actual costs could be significantly different from the initial estimates and the effect on the financial statements of changes in these cost estimates in future periods could be significant.

The Black Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's warrants have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, such value is subject to significant measurement uncertainty.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(j) Property and equipment and intangible assets

Property and equipment and intangible assets are stated at cost less accumulated amortization. Amortization is provided at rates designed to amortize the cost of the assets over their estimated useful lives as follows:

Computer equipment	-	45% declining balance
Computer software	-	100% declining balance
Website	-	20% declining balance

(j) Joint interests

The Company conducts a portion of its oil and natural gas exploration and production activities through joint interests, and the accounts reflect only its proportionate interest in such activities.

(k) Stock-based compensation and other stock-based payments

The Company accounts for stock options granted to directors, officers, and employees using the fair value method of accounting and for non-employees using the fair value of the equity instruments issued or the value of the services, whichever is more reliably measurable. Stock-based compensation cost for directors, officers, and employees is accrued and charged to operations, with an offsetting credit to contributed surplus, over the vesting periods. Stock-based compensation cost for non-employees is measured at the earliest date at which performance is complete or the options vested, and is expensed over the service period with an offsetting credit to contributed surplus. If in the event that vested stock options expire without being exercised, previously recognized compensation costs associated with such rewards are not reversed. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

(l) Impairment of other long-lived assets

The Company reviews other long lived assets for impairment on a yearly basis; or whenever events or changes in circumstances occur. Impairment is recognized when the carrying value of a long term asset exceeds the sum of future cash flows expected from its use.

(m) Warrants

The Company issues share purchase warrants from time to time. These warrants are measured and recorded as equity instruments at fair value using the Black Scholes options valuation pricing model. When warrants are exercised, the consideration received with the corresponding amounts previously recorded in contributed surplus are credited to share capital.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(n) Flow through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. The Emerging Issues Committee of the Canadian Institute of Chartered Accountants issued EIC-146 under which the Company is required to recognize the future income tax liability upon filing renunciation documents with the tax authorities and to treat it as a cost of issuing the flow-through shares. The Company has financed a portion of its exploration and development activities through the issuance of flow-through shares. Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to subscribers. To recognize the tax benefits renounced by the Company, the carrying value of the shares issued and future income tax liabilities are adjusted by the estimated value to the Company of the renounced income tax deductions when the related flow-through expenditures are renounced to the investors.

(o) Issuance cost

Costs incurred in connection with the issuance of capital stock and share purchase warrants are disclosed as a reduction of the proceeds received.

(p) Future accounting pronouncements

Recent accounting pronouncement

Business Combination/Consolidated Financial Statements/Non Controlling Interests

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

Recent accounting pronouncement issued and not yet applied.

International Financial Reporting Standards

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

3. PROPERTY AND EQUIPMENT

			January 31, 2011	January 31, 2010
	Cost	**Accumulated amortization**	**Net**	Net
Oil and natural gas properties	**$ 3,205,107**	**$ -**	**$ 3,205,107**	$ -
Website	**6,225**	**3,237**	**2,988**	3,734
Computer equipment	**3,798**	**2,413**	**1,385**	1,317
Computer software	**1,080**	**1,080**	**-**	-
	$ 3,216,210	**$ 6,730**	**$ 3,209,480**	$ 5,051

The oil and natural gas properties relate to the Shoal Point License #1070. The Company did not capitalize any general and administrative costs in 2011 or 2010.

Western Newfoundland

At January 31, 2011 the Company holds working interests in Offshore Exploration License #1070 ("EL #1070").

Offshore EL #1070 covers an area of 254,616 acres.

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

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

The amending letter agreement initially acknowledges that DLMC has assigned its rights and obligations under the original farm-out agreement to Fire Horse. It further acknowledges that the Company's interest in EL#1070 is to be set at 51.5% after the completion of the next well (3K-39), which is to be spudded prior to the end of the year.

Originally, the Company's interest was to be reduced from 61.5% to 30.75% and the entire cost of well 3K-39 was to be borne by DLMC or its assignee Fire Horse. Under the terms of the amended agreement, the Company's interest will be reduced by only 10% to 51.5% and in consideration for retaining this increased interest in EL#1070, the Company has agreed to pay 41.5% of the drilling costs of the well (estimated to be $1,867,500 or 41.5% of $4.5 million), to make the refundable abandonment deposit (estimated not to exceed $1 million), and to pay 50% of the costs of filing reports and making the application for a Significant Discovery License (SDL) on EL#1070. The balance of the costs associated with drilling of the 3K-39 well and obtaining the SDL is to be paid for by Fire Horse.

3. PROPERTY AND EQUIPMENT (CONTINUED)

On December 17, 2010, the Company signed a final agreement with DLMC and Fire Horse and CIVC. Under the terms of this final agreement, the Company's final percentage interest in the 3K-39 well will be increased to 80.75%, with CIVC at 19.25%. The Company will now assume responsibility for all budgeted costs of the well and also be responsible for the abandonment deposit and other costs related to filing for a SDL.

Summary of interests in the EL#1070 Shallow Rights after the well has been drilled is as follows:

	SPE	CIVC	DLMC
After earning	80.75%	19.25%	-

4. EQUITY INSTRUMENTS

(a) Authorized

Unlimited number of common shares, voting, no par value
Unlimited number of preferred shares

On event of a distribution, the holders of preferred shares have priority over other shareholders of the Company.

(b) Equity instruments issued and outstanding

Common shares	Number	Amount
Shoal Point Energy Ltd.		
Balance, February 1, 2010	75,109,129	$ 12,942,775
Issued for debt conversion (Note 4(f))	3,154,545	694,000
Issued for property purchase (Note 4(g))	750,000	165,000
Common shares issued for cash (Note 4(e))	27,932,881	6,145,234
Issuance costs	-	(538,689)
Allocated to warrants	-	(2,603,466)
Balance, Transferred on November 9, 2010	**106,946,555**	**$ 16,804,854**
Allied Northern Capital Corporation		
Balance, February 1, 2010	7,225,268	$ 1,565,945
Issued for cash	480,000	180,000
Balance before reverse assets acquisition	7,705,268	1,745,945
Transfer from Shoal Point Energy Ltd	106,946,555	16,804,854
Reversal of Allied share capital	-	(1,745,945)
RAA adjustment		304,675
RAA costs	-	(50,000)
Post reverse asset acquisition combined balance, November 10, 2010	**114,651,823**	**$ 17,059,529**
Shares issued upon exercise of warrants - Shoal Point Energy Ltd	16,683,050	5,335,378
Issued for debenture conversion (Note 6)	7,848,624	1,809,384
Post reverse asset acquisition combined balance, January 31, 2011	**139,183,497**	**$ 24,204,291**

4. EQUITY INSTRUMENTS (CONTINUED)

Warrants for common shares issued	**Number**		**Amount**
Shoal Point Energy Ltd.			
Balance, January 31, 2010	22,081,780	$	3,065,541
Warrants issued upon financing (Note 4(e))	27,932,881		1,373,713
Broker warrants (Note 4(e))	1,798,247		129,349
Warrants issued on debt conversion (Note 2, 7)	10,870,995		1,086,009
Warrants issued for property acquisition (Note 4(g))	250,000		14,395
Balance transferred on November 9, 2010	62,933,903		5,669,007
Allied Northern Capital Corporation			
Balance, January 31, 2009	-		-
Balance, January 31, 2010	-		-
Balance before reverse asset acquisition(RAA)	-		-
Transfer from Shoal Point Energy Ltd	62,933,903		5,669,007
Warrants extended in term (Note 4(i))	-		431,505
Warrants exercised/expired	(19,518,324)		(983,491)
Balance, January 31, 2011	**43,415,579**	**$**	**5,117,021**
Total equity instruments		**$**	**29,321,312**

Options for Common Shares Issued	**Number**		**Amount**
Balance, January 31, 2009	-	$	-
Balance, January 31, 2010	-		-
Balance before reverse asset acquisition(RAA)	-		-
Transfer from Shoal Point Energy Ltd, November 9, 2010	11,975,000		1,191,563
Options Issued	750,000		108,379
Balance, January 31, 2011	**12,725,000**		**1,299,942**

No preferred shares have been issued.

On November 9, 2010, Allied Northern Capital Corporation ("Allied") acquired all of the issued and outstanding common shares of Shoal Point Energy Ltd.("SPE") in exchange for 79,231,112 common shares of Allied. As the shareholders of SPE controlled the Company once the acquisition was completed, the acquisition was accounted for as a reverse takeover per Emerging Issues Committee ("EIC") 10 (reverse takeover accounting), whereby SPE was the acquirer and Allied was the acquiree. Upon closing of this reverse takeover transaction Allied changed its name to Shoal Point Energy Ltd.

As Allied did not qualify as a business for accounting purposes per EIC 124 (definition of a business), the transaction has been accounted for as a capital transaction. The transaction is equivalent to the issuance of shares by the non-public operating enterprise (SPE) for the net monetary assets of the non-operating public enterprise (Allied), accompanied by a recapitalization of the non-public operating enterprise (SPE). A reverse takeover transaction is viewed as the issuance of equity by the non-public operating enterprise (SPE) to the extent there is cash in the non-operating public enterprise (Allied). Accordingly transaction costs are charged to equity only to the extent of cash received, while all costs in excess of cash received should be charged to expense. The consolidated financial statements are issued under the name of the legal parent (Allied), but are deemed to be a continuation of the legal subsidiary (SPE).

4. EQUITY INSTRUMENTS (CONTINUED)

(b) Equity instruments issued and outstanding (continued)

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

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

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

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

c) the comparative figures reported are those of SPE.

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

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

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

The fair value of the net asset of Allied was:

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

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

Shares issued year ended January 31, 2010

(c) On December 31, 2009, the Company issued 200,000 flow- through common shares at $0.27 per share for gross proceeds of $54,000. The Company paid finders fees of $3,240 and also issued 16,500 broker warrants, with each broker warrant being exercisable at $0.27 for two years for one additional common share. The amount of $506 was allocated to the 16,500 broker warrants determined using the Black Scholes Option Pricing Model based on the following assumptions: risk free rate of 1.41%; expected term of 2 years; volatility of 45%; and expected future dividends of nil.

4. EQUITY INSTRUMENTS (CONTINUED)

(d) On December 8, 2009, the Company issued 623,100 units totaling $137,082, where each unit includes a common share and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at a price of $0.25 for two years. The Company paid finders' fees of $8,224 and also issued 53,550 broker warrants, with each broker warrant being exercisable at $0.22 for two years for one additional common share. The amount of $11,338 was allocated to the 311,550 shares purchase warrants while the amount of $2,410 was allocated to the 53,550 broker warrants determined using the Black Scholes Option Pricing Model based on the following assumptions: risk free rate of 1.41%; expected term of 2 years; volatility of 45%; and expected future dividends of nil.

Shares issued year ended January 31, 2011

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

(f) Issued for debt conversion

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

(g) Issued for property

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

(h) Stock based compensation

The Company has a rolling stock option plan under which options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of the Company.

Options granted must expire no later than a maximum of five years from the date of the grant.

Terms of the Plan are as follows:

(i.) The number of common shares which may be issued pursuant to options previously granted and those granted under the Plan shall not exceed 10% of the outstanding common shares at the time of the grant;

(ii.) The number of shares which may be awarded in a one year period to anyone individual may not exceed 5% of the issued and outstanding shares at the date of grant and the total number of options awarded to any consultant shall not exceed 2% of the issued and outstanding common shares at the time of the grant;

4. **EQUITY INSTRUMENTS (CONTINUED)**

(h) Stock based compensation (continued)

(iii.) The total number of options awarded to all persons employed by the Company who perform investor relations activities shall not exceed 2% of the issued and outstanding shares of the Company in any twelve month period;

(iv) Under the plan, options are granted at fair market value at date of grant and expire at the earlier of the term set out in the particular option agreement or 90 days from the date on which the optionee ceases to be a director, officer, employee or consultant of the Company or one year after the death of the optionee; and

(v) All options granted vest upon the date of grant.

Stock options issued during the year

The fair value of options granted during 2011 and 2010 was estimated at the date of grant using a Black Sholes Option Pricing Model with the following assumptions:

	2011	2010
Risk-free interest rate	1.39% to 1.76%	2.56%
Estimated hold period prior to exercise (years)	1-5	5
Volatility in the price of the Company's common shares	80%	70%
Dividend yield	Nil	Nil
Weighted average fair value	$0.048 to $0.175	$0.1127

In the Consolidated Statement of Operations, the Company recorded stock-based compensation expense of $1,299,940 for the year ended January 31, 2011 (2010 - $204,038). Of this amount $1,191,563 (2010 - $nil) related to the cancellation and re-pricing of stock options.

The following table summarizes information concerning the Company's stock options outstanding as at January 31, 2011:

	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable - January 31, 2010	4,790,000	0.25
Granted	7,950,000	0.25
Expired or cancelled	(7,340,000)	0.25
Reissued	7,325,000	0.25
Outstanding as at January 31, 2011	**12,725,000**	**$ 0.25**

4. EQUITY INSTRUMENTS (CONTINUED)

(h) Stock based compensation (continued)

The following common share purchase options are outstanding at January 31, 2011:

	Date of Grant	Number of Shares	Exercise Price	Expiry Date
Directors	October 29, 2010	3,500,000	$ 0.25	October 29, 2015
Officers	October 29, 2010	1,850,000	$ 0.25	October 29, 2015
Service Providers	October 29, 2010	1,725,000	$ 0.25	October 29, 2011
	October 29, 2010	2,800,000	$ 0.25	October 29, 2012
	October 29, 2010	2,100,000	$ 0.25	October 29, 2015
	December 16, 2010	450,000	$ 0.28	December 16, 2013
	January 20, 2011	300,000	$ 0.40	January 20, 2013
		12,725,000		

(i) Warrants

The following table summarizes information about warrants outstanding as at January 31, 2011:

Exercise price	Number outstanding	Weighted average remaining contractual life (years)	Number exercisable	Weighted average exercise price
$0.15	6,679,578	0.50	6,679,578	$0.15
$0.22	1,548,247	1.00	1,548,247	$0.22
$0.25	311,550	1.00	311,550	$0.25
$0.28	25,093,376	1.90	25,093,376	$0.28
$0.40	1,847,250	0.70	1,847,250	$0.40
$0.50	7,935,578	1.90	7,935,578	$0.50
	43,415,579	1.32	43,415,579	$0.30

(j) Contributed surplus

The balance is represented by the following:

	2011	2010
Balance, beginning of the year	**$ 632,018**	$ 427,980
Stock based compensation expense	**1,299,940**	204,038
Equity portion of convertible debt	**220,888**	-
Balance, end of the year	**$ 2,152,846**	$ 632,018

5. AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

		2011		2010
GST/HST receivable	**$**	**986,547**	$	25,304
Subscription receivable		**44,113**		-
Other receivable		**1,525**		1,525
	$	**1,032,185**	$	26,829

All the amounts received subsequent to the year end.

6. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits consist of the following:

		2011		2010
(i) Property deposit	**$**	**1,000,000**	$	37,500
(ii) Property well costs advanced		**3,253,528**		-
Other		**28,174**		-
	$	**4,281,702**	$	37,500

(i) The property deposit consists of an interest bearing guaranteed investment certificate that secures a stand-by letter of credit in an amount of $1,000,000 (January 31, 2010 - $nil) with the Canada-Newfoundland and Labrador Offshore Petroleum Board.

(ii) Amounts advanced to contractors and as of January 31, 2011 has not been spent.

7. CONVERTIBLE DEBT

On November 24, 2009, the Company received approval from the Bankruptcy Division of the Court of Queen's Bench of Alberta, in the matter of the Proposal under Part III, Division I of the Bankruptcy and Insolvency Act. Of the $6,253,762 proven claim, $2,645,074 was settled through the issuance of a debenture and $3,608,687 was settled through the issuance of common shares. 18,043,437 common shares were issued as a result of this debt settlement at $0.20 per share.

The following terms are attached to the debenture:

Date: September 30, 2009
Interest: 12% per annum
Maturity: September 30, 2010

Extensions:

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

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

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

7. CONVERTIBLE DEBT (CONTINUED)

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

Prepayment: The Company may prepay all or part of the debenture at any time without penalty or bonus. If the Company receives net proceeds of more than $10,000,000 from any financing prior to Maturity, then the Company must distribute that portion of the proceeds in excess of $10,000,000 among the debenture holders on a pro rata basis.

The principal amount of the convertible debt was $2,618,640 resulting on a gain on settlement of accounts payable in the amount of $26,435.

As required by Canadian GAAP, the Company classified the convertible debt as having both a liability component and an equity component. The classification between debt and equity was determined using the relative fair value method determined by discounting estimated cash flows at a rate of 25%, for a debt instrument of a comparable company. The debt component of the convertible debenture is accreted to the amount due at maturity, through interest expense using the effective interest method.

During 2011, the Company renegotiated $1,501,571 of convertible debt which were also converted into units by the debenture holers as described as below during the same period. The remainder of the convertible debenture was repaid in cash.

The following terms are attached to the new convertible note:
Interest: 12% per annum
Maturity: one year
Conversion: Principal and interest may be converted at any time into units of the Company at $0.20 per unit. Each unit shall be comprised of one (1) common share in the capital of the Company and one (1) share purchase warrant entitling the holder thereof to purchase one (1) common share at a price of $0.28 per common share until October 31, 2011. No fractional shares will be issued.

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

8. FINANCIAL INSTRUMENTS

As disclosed in Note 2(f), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price risk, credit risk, liquidity risk (comprised of interest rate risk) and fair value risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

Risk management is carried out by management, whom is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with their approved policies.

8. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Commodity price risk

The Company will be subject to commodity price risk through fluctuations of crude oil and natural gas prices. The Company currently has no fixed price contracts to mitigate this exposure.

(b) Credit risk

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

A significant portion of the Company's cash is held with the Company's broker, and as such, the Company is exposed to concentration of credit risk. The amount held by the broker was received subsequent to year end.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages liquidity risk through the management of its capital structure as outlined in Note 8.

As at January 31, 2011, the Company has current liabilities of $1,093,259 (2010 - $509,178) due within 12 months and has cash and amounts receivable which total $1,462,701 (2010 - $33,346) to meet its current obligations. As at January 31, 2011, the Company has a working capital surplus(deficit) of $4,651,144 (2010 - $(438,332)). Management will continue to raise capital to fund the Company's exploration, development and feasibility expenditures and for general and administrative costs.

(d) Interest rate risk

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

(e) Fair value

The fair values of financial instruments consisting of cash, amounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

8. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair value (continued)

The carrying value and fair value of these financial instruments at January 31, 2011 is disclosed below by financial instrument category for the years ended January 31, 2011 and 2010:

	Year ended January 31, 2011		Year ended January 31, 2010	
Financial Instrument	Carrying Value	Fair Value	Carrying Value	Fair Value
Held for trading				
Cash	$ 430,516	$ 430,516	$ 6,517	$ 6,517
Loans and receivable				
Accounts receivable	$ 1,032,185	$ 1,032,185	$ 26,829	$ 26,829
Financial liabilities				
Other liabilities				
Accounts payable and accrued liabilities	$ 1,093,259	$ 1,093,259	$ 509,178	$ 509,178
Demand notes payable	$ -	$ -	$ -	$ -
Convertible debt	$ -	$ -	$ 2,180,931	$ 2,180,931

9. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

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

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

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

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

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the twelve months ended January 31, 2011.

10. RELATED PARTY ADVANCES AND TRANSACTIONS

Except as disclosed elsewhere in these financial statements, the Company had the following related party transactions:

(a) During the year the Company paid management fees included in management fees expense aggregating to $249,015 (2010 - $420,000) and consulting fees included in consulting fees expense aggregating to $166,000 (2010 - $nil)to corporations which are controlled by officers and directors of the Company, directors of the Company as well as corporations with common significant shareholders.

10. RELATED PARTY ADVANCES AND TRANSACTIONS (CONTINUED)

(b) Included in accounts payable and accrued liabilities is an amount of $35,342 (2010 - $12,000) to directors and companies with common directors as a result of consulting fees payable.

(c) Included in amounts receivable is an amount of $1,525 (2010- $1,525) owing from a director of the Company.

All related party transactions except as disclosed elsewhere, have been measured at the agreed to exchange amount which is the amount established and agreed to by the related parties.

11. INCOME TAXES

As at , the Company has accumulated Canadian development and exploration expenditures of $4,500,000 (2010 - $nil) and Canadian oil and gas property expenses of $Nil (2010 - $Nil), that are available to offset taxable income for future years at various rates.

The components of the future income tax assets at and 2010 are as follows:

Nature of temporary differences		**2011**		2010
Mineral Properties	**$**	**368,000**	$	(243,000)
Cumulative eligible capital		**40,000**		37,000
Deferred financing and share issuance costs		**86,000**		405,000
Capital stock		**(1,182,000)**		14,000
Non-capital losses		**4,391,000**		4,021,000
		3,703,000		4,234,000
Less: Valuation allowance		**(3,703,000)**		(4,234,000)
Future income tax asset		**-**		-

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial tax rates of 27.9% (2010 - 28.0%) to the loss before income taxes as follows:

		2011		2010
Expected tax recovery	**$**	**(971,000)**	$	(658,000)
Stock based compensation costs		**362,000**		57,000
Impairment of properties		**-**		26,000
Change in valuation allowance		**799,000**		912,000
Other		**(190,000)**		(353,000)
Future income tax expense (recovery)	**$**	**-**	$	(16,000)

The Company has the following non-capital loss carryforwards available:

		Year of expiry
$	3,000	2026
	901,000	2027
	12,035,000	2028
	1,758,000	2029
	2,865,000	2031
$	17,562,000	

12. COMMITMENTS AND CONTINGENCIES

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to contractual agreements and management decisions, result in the accrual of estimated future removal and site restoration costs. Any changes in these estimates will affect future operations.

Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and are to be funded mainly from the Company's cash provided by operating activities. Although the ultimate impact of these matters on operations cannot be determined at this time, it could be material for any period. In the ordinary course of business, indemnifications may have also been provided pursuant to provision of purchase and sale contracts, service agreements, joint venture agreements, operating agreements and leasing agreements. In these agreements, the Company has agreed to indemnify counterparties if certain events occur.

These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

The Company is committed to spend proceeds of a flow-through share issuance resulting from a private placement of 200,000 flow through shares in 2009 (2008 – 6,016,032). The stock qualified as flow through shares under the Income Tax Act (Canada) and the corresponding expenditures are to be made by the Company on or before December 31, 2010 (2009 - December 31, 2009).

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measure for this purpose.

13. SUBSEQUENT EVENTS

Except as disclosed elsewhere in these consolidated financial statements, the Company had the following subsequent events:

On February 22, 2011, the Company granted to officers, directors and consultants of the Company 1.2 million options at a price of $0.40 for a term of five years. On April 20, 2011, the Company granted to consultants of the Company 350,000 options at an exercise price of $0.50 for a term of three years.

Subsequent to year end the Company closed three tranches of financing totaling $5,997,450 comprised of 13,531,570 common share units at $0.35 per unit, where each unit includes a common share at $0.35 and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at a price of $0.50 for 18 months. The balance of this financing consisted of 3.15 million flow-through units, where each unit comprises a flow-through common share at $0.40 and a one-half common share purchase warrant, where a full warrant entitles the holder to acquire an additional common share at $0.55 for 18 months.

In connection with the total financing of $5,997,450 the company is paying cash fees totalling $117,147 to registered agents and issuing 393,634 broker warrants. Each broker warrant will entitle the holder to acquire an additional common share at a price of $0.35 for a period of 18 months.

13. SUBSEQUENT EVENTS (CONTINUED)

Subsequent to year end the Company raised $3,723,650 issuing 6,400,610 units at $0.45 whereby each unit included one common share and one-half common share purchase warrant where a full warrant entitles the holder to purchase one additional common share at a price of $0.60 for an 18 month period. In addition, 1,450,000 flow through units were issued at a price of $0.50 and each flow through unit was comprised of one common share and one half common share purchase warrant, where a full warrant entitles the holder to purchase one additional common share at a price of $0.60 for an 18-month period.

In connection with this financing, the company paid commissions to registered agents. The cash fees of 6% totalled $195,519, and in addition, the broker warrants of 6% totalled 422,820 broker warrants. The broker warrants entitle the holders to acquire one additional common share at a price of $0.45 for a period of 18 months.

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

Subsequent to year end the Company signed a farm-in agreement with Ptarmigan Energy Inc. (PEI) of St. John's, Nfld., and Labrador, with respect to exploration licence 1120, western Newfoundland. Under the terms of the farm-in agreement, Shoal Point will have the right to earn into the shallow rights within a certain area of exploration licence 1120 (farm-out lands) by paying to PEI a total of $1.8-million, and by drilling a test well to assess the petroleum potential of the Green Point formation on or before December 31, 2012. Once Shoal Point has completed the earning requirements by making the aforementioned payments, and by drilling the test well, Shoal Point will earn an 80 percent working interest in the shallow rights within the farm-out lands, with PEI retaining a 20 percent working interest therein.