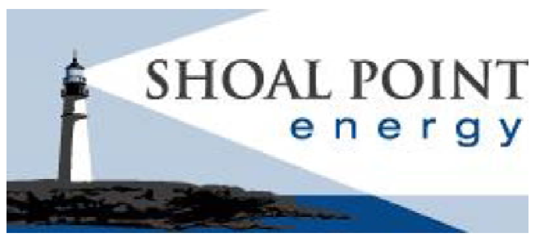

SHOAL POINT ENERGY LTD.
(An Exploration Stage Enterprise)
INTERIM CONSOLIDATED FINANCIAL STATEMENTS (PREPARED BY MANAGEMENT)
FOR THE THREE MONTH PERIODS ENDED APRIL 30, 2011 AND 2010

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Notice to Reader – From Shoal Point Energy Ltd.

The interim unaudited consolidated financial statements of Shoal Point Energy Ltd. (the "Company") including the accompanying consolidated statements of financial position as at April 30, 2011 and January 31, 2011 and the consolidated statements of operations and comprehensive loss and cash flows for the three month periods ended April 30, 2011 and 2010 are the responsibility of the Company's management. The interim unaudited consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgements and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards for interim consolidated financial statements.

The interim unaudited consolidated financial statements as at and for the three month period ended April 30, 2011 have not been reviewed by the Company's auditors.

SHOAL POINT ENERGY LTD.
(An Exploration Stage Enterprise)
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(Unaudited - in Canadian dollars)

	April 30, 2011	January 31, 2011	February 1, 2010
ASSETS			
Current			
Cash	**$ 3,155,693**	$ 430,516	$ 6,517
Accounts receivable, (Note 7)	**4,174,028**	1,032,185	26,829
Prepaid expenses and deposit	**4,880,308**	4,281,702	37,500
	12,210,029	5,744,403	70,846
PROPERTY AND EQUIPMENT, (Note 8)	**8,023,873**	3,209,480	5,051
	$ 20,233,902	$ 8,953,883	$ 75,897
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 964,836**	$ 1,093,259	$ 509,178
Short-term loan, (Notes 10 and 14)	**2,039,266**	-	-
Convertible debt	**-**	-	2,180,931
Unrenounced flow-through premium	**273,500**	-	14,000
	3,277,602	1,093,259	2,704,109
SHAREHOLDERS' EQUITY			
Share capital, (Note 9(a))	**$ 39,232,836**	29,834,319	16,010,316
Contributed surplus	**2,223,128**	2,152,846	632,018
Equity portion of convertible debt	**-**	-	460,546
Deficit	**(24,499,664)**	(24,126,541)	(19,731,092)
	16,956,300	7,860,624	(2,628,212)
	$ 20,233,902	$ 8,953,883	$ 75,897

COMMITMENTS AND CONTINGENCIES, (Note 10)
SUBSEQUENT EVENTS, (Note 14)

Approved on behalf of the board:

________________ President

________________ CFO

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

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

	2011	2010
Expenses		
Office, general and administrative	**$ 92,169**	$ 107,667
Management fees, (Note 12)	**46,000**	94,500
Consulting fees	**134,418**	22,500
Stock-based compensation, (Note 9(b))	**70,282**	-
Professional fees	**15,890**	31,666
Amortization	**165**	335
Rent	**14,485**	-
Part XII.6 interest and taxes	**510**	-
Loss from operations	**373,919**	256,668
Flow-through shares renunciation	**-**	(14,000)
Interest and other income	**(796)**	(150,000)
Net loss and comprehensive loss for the period	**(373,123)**	(92,668)
Loss per share		
Basic and fully diluted	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding	**160,982,061**	75,109,129

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

SHOAL POINT ENERGY LTD.

(An Exploration Stage Enterprise)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIODS ENDED APRIL 30, 2011 and 2010

(Unaudited - in Canadian dollars)

	Share capital			Equity portion of		
	Number of shares	Amount	Contributed Surplus	Convertible debt	Deficit	Total
Balance, February 1, 2010 (Note 4)	75,109,129	$ 16,010,316	$ 632,018	$ 460,546	$ (19,731,092)	$ (2,628,212)
Net loss for the period	-	-	-	-	(92,668)	(92,668)
Balance, April 30, 2010 (Note 4)	75,109,129	$ 16,010,316	$ 632,018	$ 460,546	$ (19,823,760)	$ (2,720,880)
Balance, February 1, 2011 (Note 4)	139,183,497	$ 29,834,319	$2,152,846	$ -	$ (24,126,541)	$ 7,860,624
Shares issued for cash (net of unrenounced flow-through premium) (Note 9(a)(i),(ii))	24,895,237	9,491,199	-	-	-	9,491,199
Proceeds on exercise of warrants (Note 9(c))	462,500	95,375	-	-	-	95,375
Fair value of options (Note 9(b))	-	-	70,282	-	-	70,282
Shares issue costs (Note 9(a)(i),(ii))	-	(348,791)	-	-	-	(348,791)
Fair value of warrants (Note 10)	-	160,734	-	-	-	160,734
Net loss for the period	-	-	-	-	(373,123)	(373,123)
Balance, April 30, 2011	164,541,234	$ 39,232,836	$2,223,128	$ -	$ (24,499,664)	$ 16,956,300

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

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

	2011	2010
Cash flows from operating activities		
Net loss for the period	$ (373,123)	$ (92,668)
Adjustments not effecting cash:		
Amortization	165	335
Flow-through share renunciation	-	(14,000)
	(302,676)	(106,333)
Changes in non-cash working capital, (Note 11)	(3,868,872)	174,511
Cash flows used in operating activities	(4,171,548)	68,178
Cash flows from investing activities		
Purchase of capital assets	(3,307)	-
Acquisition of oil and natural gas properties	(4,811,252)	(23,709)
Cash flows used in investing activities	(4,814,559)	(23,709)
Cash flows from financing activities		
Short-term loan	2,200,000	-
Issuance of common shares	9,860,075	-
Share issue costs	(348,791)	-
Cash flows provided by financing activities	11,711,284	-
Net increase (decrease) in cash	2,725,177	44,469
Cash, beginning of period	430,516	6,517
Cash, end of period	$ 3,155,693	$ 50,986

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

1. REPORTING ENTITY

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, 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.

2. BASIS OF PRESENTATION

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effectively for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). These are the Company's first IFRS interim consolidated financial statements from part of the period covered by the first IFRS annual financial statements and IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied (note 4). The IAS 34 interim consolidated financial statements do not include all of the information required for full annual financial statements. These interim consolidated financial statements do not conform in all respects with disclosures required for annual financial statements for the year ended January 31, 2011.

The accounting policies set out below have been applied consistently to all periods presented in preparing the opening statement of financial position at February 1, 2010 (note 4) for the purposes of transitioning to IFRS. The accounting policies have been applied consistently to the Company and its subsidiaries.

The policies applied in these interim consolidated financial statements are based on IFRS applicable and outstanding as of July 22, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS, that are given effect in the Company's annual consolidated financial statements for the year ending January 31, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recorded on change-over to IFRS.

Basis of Measurement and Principles of Consolidation

The interim consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated.

The interim consolidated financial statements includes all the accounts of the Company and all of its subsidiaries and investments, including its principal subsidiaries, as well as other non-significant subsidiaries. The financial statements of the subsidiaries are consolidated from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

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

Functional and Presentation Currency

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

Use of Estimates and Judgement

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

In preparing these interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the recoverability of exploration and evaluation ("E&E") assets (oil and natural gas properties), useful lives of capital assets, asset retirement obligations, share-based compensation, income taxes, the recording of liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from management's best estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all periods presented in these interim consolidated financial statements and in preparing the opening IFRS statements of financial position at February 1, 2010 for the purpose of transitioning to IFRS, unless otherwise indicated.

PROPERTY AND EQUIPMENT

Property and equipment includes oil and natural gas properties and capital assets

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 property and equipment 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.

Expenditures on developed oil and natural gas properties such as drilling of development wells, tangible costs of facilities and infrastructure construction are capitalized to oil and natural gas properties when it is probable that a future economic benefit will flow to the Company as a result of the expenditure and the cost can be reliably measured.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation associated with the asset and finance charges on qualifying assets.

Oil and natural gas properties are depleted using the unit-of-production method over their reserve life using proven and probable reserves, unless the useful life of the asset is less than the reserve life, in which case the asset is depreciated over its estimated useful life using the straight-line method. Future development costs are included in costs subject to depletion. Reserves and estimated future development costs are determined annually by qualified independent reserve engineers. Changes in factors such as estimates of reserves that affect unit-of production calculations are dealt with on a prospective basis.

As at April 30, 2011, January 31, 2011 and February 1, 2010, all of the oil and natural gas assets held by the Company were classified as in the exploration and evaluation stage.

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 long-lived 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 CGUs for impairment purposes.

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. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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.

REVERSE TAKEOVER

On November 9, 2010, Allied Northern Capital Corporation ("Allied") acquired all of the issued and outstanding common shares of Shoal Point Energy Ltd.("SPE") in exchange for 79,231,112 common shares of Allied. As the shareholders of SPE controlled the Company once the acquisition was completed, the acquisition was accounted for as a reverse takeover per IFRS 3, Business Combinations, whereby SPE was the acquirer and Allied was the acquiree. Upon closing of this reverse takeover transaction Allied changed its name to Shoal Point Energy Ltd.

As Allied did not qualify as a business for accounting purposes per IFRS 3 (definition of a business), the transaction has been accounted for as a capital transaction. The transaction is equivalent to the issuance of shares by the non-public operating enterprise (SPE) for the net monetary assets of the non-operating public enterprise (Allied), accompanied by a recapitalization of the non-public operating enterprise (SPE). A reverse takeover transaction is viewed as the issuance of equity by the non-public operating enterprise (SPE) to the extent there is cash in the non-operating public enterprise (Allied). Accordingly transaction costs are charged to equity only to the extent of cash received, while all costs in excess of cash received should be charged to expense. The consolidated financial statements are issued under the name of the legal parent (Allied), but are deemed to be a continuation of the legal subsidiary (SPE).

ACCOUNTING FOR INCOME TAXES

Income tax expense comprises 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 (liability) is recognized on the statement of financial position when it is probable that the future economic benefits will flow to (away from) the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the three months ended April 31, 2011 was 33% (2010 – 31%).

BASIC 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, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible warrants and share options granted by the Company.

SHARE-BASED PAYMENT

The Company accounts for share-based payment using the fair value method. Under this method, compensation expense is measured at fair value 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. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

Warrants, stock options, and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for oil and natural gas properties, are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration for oil and natural gas properties is based upon the trading price of those shares on the CNSX on the date of the agreement to issue shares as determined by the Board of Directors.

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 an asset retirement 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 contributed surplus. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the contributed surplus account is recorded as an increase to share capital.

FOREIGN CURRENCY TRANSLATION

The Company's functional and presentation currency is the Canadian dollars. 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

NON-DERIVATION FINANCIAL ASSETS AND LIABILITIES

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized costs using the effective interest method, less any impairment losses.

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; 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. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Other liabilities

Accounts payable and accrued liabilities and short-term loan are classified as other liabilities at amortized cost, plus any directly attributable transaction costs. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

Financial instruments recorded at fair value through profit or loss (FVTPL)

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a financial value hierarchy that reflects the significance of the inputs used in marking the measurements. The fair value hierarchy has the following levels:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on inputs other than quoted prices including Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 – valuation techniques using inputs for the asset and liability that are not based on observable market data (unobservable inputs).

Cash which is recorded at FVTPL, is considered Level 1.

COMPOUND FINANCIAL INSTRUMENTS

The convertible debt contains both a liability component and an equity component, represented by the conversion feature. The Company allocates the total proceeds received between the debt and equity components of the convertible debentures based on the residual method. The fair value of the equity component of the convertible debentures 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. The Company had no material provisions at April 30, 2011, January 31, 2011, and February 1, 2010.

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 takes the initial recognition exemption on deferred taxes as it relates to flow through shares.

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.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 9, Financial Instruments ("IFRS 9") was issued by the International Accounting Standards Board ("IASB") on November 12, 2009 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measure at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its financial instruments.

IFRS 7, Financial Instruments – Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendment introduces new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety by of which continuing involvement is retained.

The amendment to IFRS 7 is effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendment to IFRS 7 on its financial statements.

4. TRANSITION TO IFRS

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates that have been previously made. Accordingly, estimates used in the preparation of the Company's opening IFRS statements of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

The Company has elected to apply the following exemptions in accordance with IFRS 1, which provides specific one-time choices and mandates specific one-time exceptions with respect to first time adoption of IFRS.

Choices available at first-time adoption

i) Share-based payment – IFRS 2, Share Based Payment, permits the application of that standard only to equity instruments granted after November 7, 2002 that had not vested by February 1, 2010. Accordingly, the Company has applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by February 1, 2010.

ii) Business combinations – IFRS 3, Business Combinations may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to February 1, 2010. The Company has elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to February 1, 2010 and such business combinations will not be restated.

iii) Deemed cost – IFRS 1, First time adoption provides a choice between measuring items of property, plant and equipment and mining interests at their fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The Company has decided to continue to apply the cost model for its capital assets and mining interests and has not re-measured them to fair value under IFRS. The historical basis under Canadian GAAP has been designated as the deemed cost under IFRS at Transition Date.

IAS 27 – Consolidated and Separate Financial Statements

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively

Property, plant and equipment

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, which is the same as under Canadian GAAP.

Mandatory Exception

Estimates

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

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial instruments: Recognition and Measurement prospectively from the transition date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the transition date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

Changes to accounting policies:

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

The following summarizes the significant changes to the Company's accounting policies upon adoption of IFRS:

a) Impairment of (non-financial) assets

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Canadian GAAP requires a write-down to estimated value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited interim consolidated financial statements.

b) Decommissioning liabilities

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. IFRS also requires that the discount rate used should reflect the risks specific to the decommissioning liability, while Canadian GAAP requires the use of a discount rate that reflects the Company's credit adjusted risk free rate.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited interim consolidated financial statements.

c) Share-based payments

IFRS 2, Share-based Payments requires each vesting tranche to be valued with unique assumptions, as if it were a separate grant, along with estimates on forfeitures based on historical trends experienced by the Company.

Under IFRS, the Company uses an estimate of forfeitures based on historical trends experienced by the Company. Under Canadian GAAP no estimate was used, but rather actual forfeitures were accounted for as they occurred. The changes affected the calculation of the share-based compensation expense.

Expiration of share-based compensation

Canadian GAAP – Under Canadian GAAP, the Company's policy was to leave the value recorded for expired, unexercised stock options to contributed surplus, and to record the value of expired, unexercised warrants to contributed surplus.

IFRS – The Company continues to use its current policy regarding expired share-based compensation whereby amounts recorded for expired, unexercised stock options and warrants remain in contributed surplus on expiry. Therefore, there was no significant impact on the transition to IFRS.

d) Warrants

International Accounting Standards 32 ("IAS 32"), pertaining to classification of rights issues was amended to address the accounting for rights issues (rights, options, and warrants) that are denominated in a currency other than the functional currency of the issuer. Prior to the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issued pro rata to a Company's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated.

IAS 32 also indicates that a contract that will be settled by the Company (receiving or) delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument. Changes to the fair value of the equity instrument are not recognized in the financial statements.

The Company's accounting policies relating to warrants have been changed to reflect these differences. Since the Company's outstanding warrants have been issued in exchange for a fixed amount of cash (using the functional currency), the warrants have been treated as an equity instrument. There is no impact on the unaudited interim consolidated financial statements.

e) Flow through shares

Under Canadian GAAP, the Company would record the gross proceeds relating to flow-through shares to share capital at the time of issuance. The Company would then record a charge (reduction) to share capital at the time the tax benefits of the flow-through shares were renounced to the subscribers. The charge was calculated by multiplying the amount of the renounced tax benefits (which are equal to the gross proceeds of the flow-through share issuance) by the effective tax rate at the time. The offset would be recorded as a deferred tax liability to reflect the fact that the Company could no longer use the tax attributes for its benefit.

Under IFRS, the proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares, at the date of closing, and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium, and is extinguished on renunciation. Alternatively, the difference between the liability and the value of the tax assets renounced may also be recorded as a deferred tax expense. There is no subsequent reduction in share capital. If the flow-through shares are not issued at a premium, a liability is not established and on renunciation the full value of the tax assets renounced is recorded as a deferred tax expense.

The Company has elected to apply the accounting treatment regarding the extinguishment of the flow-through premium liability to net income, without recognizing deferred taxes upon renunciation.

f) Induced conversion

In accordance with IFRS, if an entity amends the term of a convertible instrument during its life to make conversion more attractive, any subsequent conversion is to be treated as an induced early conversion. In such instances, the difference between the fair value of the consideration the holder receives upon conversion under the revised terms, and the fair value of the consideration the holder would have received upon conversion under the original terms, measured at the date when the terms are amended, is recognized as a profit or loss.

g) Presentation

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

The February 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

ASSETS	CANADIAN GAAP	IFRS Adjustments	Ref.	IFRS
Current				
Cash	$ 6,517	$ -		$ 6,517
Accounts receivable	26,829	-		26,829
Prepaid expenses and deposits	37,500	-		37,500
	70,846	-		70,846
Capital assets	5,051	-		5,051
	$ 75,897	$ -		$ 75,897
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 509,178	$ -		$ 509,178
Convertible debt	2,180,931	-		2,180,931
Unrenounced flow-through premium	-	14,000	(e)	14,000
	2,690,109	14,000		2,704,109
SHAREHOLDERS' EQUITY				
Share capital	16,008,316	2,000	(e)	16,010,316
Contributed surplus	632,018	-		632,018
Equity portion of convertible debt	460,546	-		460,546
Deficit	(19,715,092)	(16,000)	(e)	(19,731,092)
	(2,614,212)	(14,000)		(2,628,212)
	$ 75,897	$ -		$ 75,897

The April 30, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

ASSET	CANADIAN GAAP	IFRS Adjustments	Ref.	IFRS
Current				
Cash	$ 50,986	$ -		$ 50,986
Accounts receivable	14,334	-		14,334
Prepaid expenses and deposits	37,500	-		37,500
	102,820	-		102,820
Property and equipment	28,425	-		28,425
	$ 131,245	$ -		$ 131,245
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 671,194	$ -		$ 671,194
Convertible debt	2,180,931	-		2,180,931
	2,852,125	-		2,852,125
SHAREHOLDERS' EQUITY				
Share capital	16,008,316	2,000	(e)	16,010,316
Contributed surplus	632,018	-		632,018
Equity portion of convertible debt	460,546	-		460,546
Deficit	(19,821,760)	(2,000)	(e)	(19,823,760)
	(2,720,880)	-		(2,720,880)
	$ 131,245	$ -		$ 131,245

The January 31, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

ASSETS	CANADIAN GAAP	IFRS Adjustments	Ref.	IFRS
Current				
Cash	$ 430,516	$ -		$ 430,516
Accounts receivable	1,032,185	-		1,032,185
Prepaid expenses and deposits	4,281,702	-		4,281,702
	5,744,403	-		5,744,403
Property and equipment	3,209,480	-		3,209,480
	$ 8,953,883	$ -		$ 8,953,883
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$ 1,093,259	$ -		$ 1,093,259
	1,093,259	-		1,093,259
SHAREHOLDERS' EQUITY				
Share capital	29,321,312	513,007	(e), (f)	29,834,319
Contributed surplus	2,152,846	-		2,152,846
Deficit	(23,613,534)	(513,007)	(e), (f)	(24,126,541)
	$ 7,860,624	$ -		$ 7,860,624
	$ 8,953,883	$ -		$ 8,953,883

The Canadian GAAP statement of operations and comprehensive loss for the period ended April 30, 2010 has been reconciled to IFRS as follows:

	CANADIAN GAAP	IFRS Adjustments	Ref.	IFRS
Expenses				
Administrative	$ 256,333	$ -		$ 256,333
Depreciation	335	-		335
	256,668	-		256,668
Other income				
Interest income	150,000	-		150,000
Gain on disposal of marketable securities	-	-		-
Flow-through share renunciation	-	14,000	(e)	14,000
	150,000	14,000		164,000
Net loss before income taxes	(106,668)			(92,668)
Net loss and comprehensive loss for the period	$ (106,668)	$ 14,000		$ (92,668)
Basic and diluted (loss) income per share	$ (0.00)			$ (0.00)
Weighted average number of shares	75,109,129			75,109,129

The Canadian GAAP statement of operations and comprehensive loss for the year ended January 31, 2011 has been reconciled to IFRS as follows:

	CANADIAN GAAP	IFRS Adjustments	Ref.	IFRS
Expenses				
Administrative	$ 2,164,676	$ -		$ 2,164,676
Stock-based compensation	1,299,940	-		1,299,940
Depreciation	5,667	-		5,667
Expense on amendment of terms of convertible debt	-	511,007	(f)	511,007
	3,470,283	511,007		3,981,290
Other income				
Interest income	3,346	-		3,346
Flow-through share renunciation	-	14,000	(e)	14,000
	3,346	14,000		17,346
Net loss before income taxes	(3,466,937)			(3,963,944)
Net loss and comprehensive loss for the period	$ (3,466,937)	$ (497,007)		$ (3,963,944)
Basic and diluted (loss) income per share	$ (0.04)			$ (0.06)
Weighted average number of shares	77,136,423			67,044,806

There have been no changes to the statements of cash flows for the period ended April 30, 2010 or the year ended January 31, 2011.

Reconciliation of deficit

	February 1, 2010	April 30, 2010	January 31, 2011
As per Canadian GAAP	$ (19,715,092)	$ (19,821,760)	$ (23,613,534)
Adjustment for flow-through share renounced (e), (f)	(16,000)	(2,000)	(513,007)
	$ (19,731,092)	$ (19,823,760)	$ (24,126,541)

5. FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, 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. 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 is derived from its common stock issuances. These fund are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash and cash equivalents. The current year's budget is planned to be funded by cash and cash equivalents.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

As at April 30, 2011 the Company held cash of $3,155,693 (January 31, 2011 - $430,516).

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents bear interest at market rates. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature or being non-interest bearing.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company has reduced its credit risk by investing its cash equivalents with a Canadian chartered bank. Also, as the majority of its receivables are with the Canadian government in the form of sales tax receivable, credit risk is considered minimal.

Commodity Price Risk

The Company is subject to price risk from fluctuations in market prices of oil and natural gas. These commodity prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control.

The future operations of the Company are highly correlated to the market prices of these commodities, as is the ability of the Company to continue to explore and develop its oil and natural gas properties.

A prolong period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value.

Fair Value

The Company has designated its cash as FVTPL, which is measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying value and fair value of financial instruments held at April 30, 2011 and January 31, 2011 are disclosed below by financial instrument category.

		Period ended April 30, 2011			Year ended January 31, 2011	
Financial Instrument	**Carrying Value**	**Fair Value**	**Interest Expense**	Carrying Value	Fair Value	Interest Expense
FVTPL						
Cash	$3,155,693	$3,155,693	$ -	$ 430,516	$ 430,516	$ -
Loans and receivables						
Accounts receivable	$4,174,028	$4,174,028	$ -	$1,032,185	$1,032,185	$ -
Financial Liabilities						
Accounts payable and accrued liabilities	$ 964,836	$ 964,836	$ -	$1,093,259	$1,093,259	$ -
Short-term loan	$2,039,266	$2,039,266	$ -	$ -	$ -	$ -

6. CAPITAL MANAGEMENT

The Company defines capital management in the manner it manages its capital stock. As at April 31, 2011 the Company's share capital was $39,232,836 (January 31, 2011 - $29,834,319). Changes in share capital over prior year end resulted from the issuance of 25,357,737 common shares during first quarter of 2011-12.

There were no changes in the Company's approach to capital management during the period ended April 30, 2011 and the Company is not subject to any externally imposed capital requirements.

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's capital structure includes components of shareholders' equity.

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

7. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	April 30, 2011	January 31, 2011
GST/HST receivable	**$ 674,882**	$ 986,547
Subscription receivable	**1,648,400**	44,113
CIVC (a)	**1,849,221**	-
Other receivable	**1,525**	1,525
	$ 4,174,028	$ 1,032,185

(a) This amount represents the amount due from Canadian Imperial Venture Corp ("CIVC") in respect of is share of the exploration costs on 3K-39 well that are due as of April 30, 2011. To the extent that this amount could become uncollectible, management believes that the Company will be able to receive full value for this amounts by converting this debt into an increased working interest in the Exploration Licence 1070.

8. PROPERTY AND EQUIPMENT

	April 30, 2011			January 31, 2011
	Cost	**Accumulated amortization**	**Net**	Net
Oil and natural gas properties	**$ 8,016,359**	**$ -**	**$ 8,016,359**	$ 3,205,107
Website	**6,225**	**3,237**	**2,988**	2,988
Computer equipment	**7,105**	**2,579**	**4,526**	1,385
	$ 8,029,689	**$ 5,816**	**$ 8,023,873**	$ 3,209,480

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.

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%	-

9. CAPITAL STOCK

(a) **Share Capital**

Authorized

The authorized capital stock of the Company consists of an unlimited number of common shares.

(i) In February 2011, the Company completed a private placement of 13,531,570 common shares and 3,150,000 flow-through common shares for aggregate proceeds of $5,996,050. The Company paid cash commission of $149,247 and issued 393,634 broker warrants, pursuant to the financing.

(ii) In April 2011, the Company completed a private placement of 6,763,667 common shares and 1,450,000 flow-through common shares for aggregate proceeds of $3,768,650. The Company paid cash commission of $199,544 and issued 422,810 broker warrants, pursuant to the financing.

(b) **Stock option plan and stock-based compensation**

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. The following summarizes the employees, directors, officers and consultants stock options that have been granted, exercised, expired, vested or cancelled during the period ended April 30, 2011.

The following table summarizes information concerning the Company's stock options outstanding as at April 30, 2011:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
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 and exercisable - January 31, 2011	12,725,000	0.25	3.21
Granted	1,450,000	0.42	3.87
Outstanding as at April 30, 2011	**14,175,000**	**$ 0.27**	**3.54**

The following common share purchase options are outstanding at April 30, 2011:

	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
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
	February 22, 2011	300,000	$ 0.40	February 22, 2016
	April 20, 2011	250,000	$ 0.50	April 20, 2014
		14,175,000		

The fair value of share purchase options granted during the period ended April 30, 2011 of $70,282 (2010 - $nil) has been estimated using the Black-Sholes pricing model with the following assumptions: market value of underlying stock of $0.33-0.45; risk free rate of 1.68-1.77%; expected term of 3-5 years; exercise price of the option of $0.40-0.50; volatility of 70%; and expected future dividends of nil.

(c) **Warrants**

The following table summarizes warrants that have been issued, exercised or have expired during the period ended April 30, 2011:

	Number of Warrants	Fair Value	Weighted average exercise price
Balance, January 31, 2011	**43,415,579**	**$ 2,379,088**	**$ 0.30**
Exercised	(462,500)	(28,217)	-
Issued	12,224,575	1,168,263	0.52
Balance, April 30, 2011	**55,177,654**	**$ 3,519,134**	**$ 0.16**

The fair value of warrants issued during the period ended April 30, 2011 of $1,168,263 (2010 - $Nil) has been estimated using the Black-Scholes pricing model with the following assumptions: market value of underlying stock of $0.20-0.45; risk free rate of 1.57-1.82%; expected term of 0.64-2.00 years; exercise price of the option of $0.15-0.60; volatility of 70%; and expected future dividends of nil.

At April 30, 2011, the following warrants were outstanding. 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 (years)	Number exercisable	Weighted average exercise price
$0.15	6,417,078	0.50	6,417,078	$0.15
$0.22	1,598,247	1.00	1,598,247	$0.22
$0.25	311,550	1.00	311,550	$0.25
$0.28	25,103,876	1.90	25,103,876	$0.28
$0.35	393,634	1.00	393,634	$0.35
$0.40	1,847,250	0.70	1,847,250	$0.40
$0.45	422,820	1.00	422,820	$0.45
$0.50	15,026,364	1.90	15,026,364	$0.50
$0.60	4,056,835	1.00	4,056,835	$0.60
	55,177,654	1.32	55,177,654	$0.35

10. COMMITMENTS AND CONTINGENCIES

The Company signed a farm-in agreement with Ptarmigan Energy Inc. (PEI) of St. John's, Newfoundland, 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 the Company has completed the earning requirements by making the aforementioned payments, and by drilling the test well, it will earn an 80% working interest in the shallow rights within the farm-out lands, with PEI retaining a 20% working interest therein.

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 the Company, 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. The fair value of warrants issued in connection with the short-term loan was $160,734, which has been reduced from the carrying amount of the loan. With the completion of the private placement financings, the Company fully repaid the loan, and the promissory note and security interest have been cancelled.

11. CHANGES IN NON-CASH WORKING CAPITAL

	April 30, 2011	April 30, 2010
Changes in non cash working capital balances:		
Accounts receivable	$ (3,141,843)	$ 12,495
Prepaid expenses	(598,606)	-
Accounts payable and accrued liabilities	(128,423)	162,016
	$ (3,868,872)	$ 174,511

12. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the consolidated financial statements during the periods ended April 30, 2011 and 2010 as follows:

	April 30, 2011	April 30, 2010
Management fees and directors fees expense:		
Management fees were charged by officers for corporate administrative and financial management services	$ 46,000	$ 82,500
Directors fees were charged by directors for corporate governance services	$ -	$ 12,000

As at April 30, 2011, accounts payable and accrual liabilities includes $16,950 (January 31, 2011 - $35,342) owing to related parties.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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 shares outstanding during the period. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for the three months ended April 30, 2011 and 2010, a dilutive effect would result from the potential increase in common shares.

14. SUBSEQUENT EVENTS

Subsequent to quarter end, the Company paid the remaining balance of the short term loan borrowed during period ended April 30, 2011(see note 10).

Subsequent to quarter end, the Company closed two tranches of financing. The first tranche of the financing for $535,500 comprised 1,785,000 common share units at $0.30, where each unit includes a common share at $0.30 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 $0.40 for 18 months. The second tranche of financing for $1,499,750 included 4,285,000 flow-through units, where each unit comprises a flow-through 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 $0.40 for 18 months.

In connection with the total financing of $2,035,250, the company is paying cash fees totalling $122,115 to registered agents and issuing 364,200 broker warrants. Each broker warrant will entitle the holder to acquire an additional common share at a price of $0.30 for a period of 18 months.

15. RECLASSIFICATION

The comparative financial statements have been reclassified to conform to the presentation of the current period financial statements.