

**PLEASE READ THIS MATERIAL CAREFULLY AS YOU ARE REQUIRED TO MAKE A DECISION PRIOR TO 4:00 P.M. (EASTERN TIME) ON MARCH 7, 2018.**

*This rights offering circular is prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this circular. Any representation to the contrary is an offence.*

*This is the circular we referred to in the January 18, 2018 rights offering notice, which you should have already received. Your rights certificate and relevant forms were enclosed with the rights offering notice. This circular should be read in conjunction with the rights offering notice and our continuous disclosure prior to making an investment decision.*

*The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the “United States” (as defined in Regulation S under the U.S. Securities Act). This rights offering circular does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States, and the securities offered herein may not be offered or sold in or into the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws, or pursuant to an exemption from such registration requirements as described herein. “United States” and “U.S. persons” are as defined in Regulation S under the U.S. Securities Act.*

**Rights Offering Circular**

**January 18, 2018**



**SHOAL POINT ENERGY LTD.**

**We currently have sufficient working capital to last until February 28, 2018 based on current obligations. We require 30% of the offering to last 12 months.**

**OFFERING OF RIGHTS TO SUBSCRIBE FOR UP TO 544,270,243 COMMON SHARES AT A PRICE OF \$0.002 PER COMMON SHARE (21,770,810 COMMON SHARES AT A PRICE OF \$0.05 PER COMMON SHARE POST-CONSOLIDATION)**

### **SUMMARY OF THE RIGHTS OFFERING**

#### **Why are you reading this circular?**

We are issuing to the holders (“**Shareholders**”) of our outstanding common shares (“**Common Shares**”) of record as at 5:00 p.m. (Eastern time) on January 26, 2018 (the “**Record Date**”) and who are resident in a province or territory of Canada (“**Eligible Jurisdictions**”), rights to subscribe for Common Shares on the terms described in this circular. The purpose of this circular is to provide you with detailed information about your rights and obligations in respect of this rights offering. This circular should be read in conjunction with the rights offering notice which you should have already received by mail.

#### **What is being offered?**

Each holder of common shares on the Record Date who is resident in an Eligible Jurisdiction will receive one right for each one Common Share held.

**What does one right entitle you to receive?**

Each right entitles you to subscribe for one Common Share upon payment of the Subscription Price (the “**Basic Subscription Privilege**”). No fractional common shares will be issued.

If you exercise your Basic Subscription Privilege in full, you will also be entitled to subscribe pro rata for Common Shares (the “**Additional Common Shares**”) not otherwise purchased pursuant to the Basic Subscription Privilege, if any (the “**Additional Subscription Privilege**”).

It is anticipated that the terms of the rights will be adjusted to reflect a proposed 25:1 share consolidation (the “**Consolidation**”) prior to the Expiry Time. See “*How to Exercise the Rights – How will the rights be adjusted to reflect the proposed consolidation*”.

**What is the subscription price?**

The subscription price is \$0.002 per Common Share prior to giving effect to the Consolidation, subject to the terms of the rights being adjusted upon the Consolidation becoming effective to provide that each 25 rights shall entitle the holder to subscribe for one post-Consolidation Common Share at a price of \$0.05 per Common Share (the “**Subscription Price**”).

**When does the offer expire?**

The offer expires at 4:00 p.m. (Eastern time) on March 7, 2018 (the “**Expiry Time**”).

**What are the significant attributes of the rights issued under the rights offering and the common shares to be issued upon the exercise of rights?**

Each right entitles Shareholders to subscribe for one Common Share at the Subscription Price subject to adjustment for the Consolidation. Shoal Point Energy Ltd. (“**Shoal**”) is authorized to issue an unlimited number of Common Shares, of which, as at the date hereof 544,270,243 Common Shares are issued and outstanding. Assuming completion of the Consolidation, approximately 21,770,810 Common Shares will be issued and outstanding prior to the exercise of any rights.

Holders of Common Shares are entitled to vote at meetings of shareholders and to receive the remaining property of Shoal upon dissolution.

**What are the minimum and maximum number or amount of common shares that may be issued under the rights offering?**

There is no minimum offering.

A maximum of 544,270,243 Common Shares (21,770,810 Common Shares upon adjustment for the Consolidation) will be issued under the rights offering.

See also “*Standby Commitment*” for a description of certain limits and conditions in respect of the Standby Purchasers.

**Where will the rights and the common shares issuable upon exercise of the rights be listed for trading?**

The Common Shares are listed on the Canadian Securities Exchange (the “**CSE**”) under the trading symbol “**SHP**”.

The rights will not be listed for trading on any stock exchange.

## INTERPRETATION

References in this circular to we, our, us and similar terms mean to Shoal. References in this circular to you, your and similar terms mean to holders of Common Shares. Unless otherwise indicated, references herein to “\$” or “dollars” are to Canadian dollars.

## FORWARD-LOOKING STATEMENTS

This circular contains forward-looking statements. All statements, other than statements of historical fact that address activities, events or developments that we believe, expect or anticipate will or may occur in the future are forward-looking statements. These forward-looking statements reflect our current expectations or beliefs based on information currently available to us. Forward-looking statements in this circular include, without limitation, statements with respect to: our expectations regarding the successful completion of the rights offering; the estimated costs of the rights offering and the net proceeds to be available upon completion; our expectations regarding insider participation in the rights offering; the impact of the rights offering on control of Shoal; and the use of proceeds from the rights offering; and the availability of funds from sources other than the rights offering.

Forward-looking statements are subject to a number of risks and uncertainties that may cause Shoal’s actual results to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, Shoal. Factors that could cause actual results or events to differ materially from current expectations include, among other things, volatility in oil price and equity markets, general economic conditions, changes to regulations affecting the oil and gas industry, uncertainties relating to the availability and cost of funds, delays in obtaining or failure to obtain required approvals to complete the rights offering and the Standby Commitment, the ability of the Standby Purchasers to complete the Standby Commitment, the uncertainty associated with estimating costs to completion of the rights offering, including those yet to be incurred, and other risks related to our business, the rights offering and Standby Commitment.

Forward-looking statements are made based on various assumptions and on management’s beliefs, estimates and opinions on the date the statements are made. In particular, management has made assumptions regarding the necessary regulatory approvals being obtained for the completion of the rights offering and the satisfaction of any conditions for the completion of the Standby Commitment.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, Shoal disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although we believe that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to their inherent uncertainty.

## USE OF AVAILABLE FUNDS

### What will our available funds be upon closing of the rights offering?

Shoal estimates it will have the following funds available from the rights offering, assuming only the Standby Commitment, 15%, 50%, 75% and 100% of the rights offering is completed:

		Assuming Standby Commitment only <sup>(1)</sup>	Assuming 15% of the rights offering	Assuming 50% of the rights offering	Assuming 75% of the rights offering	Assuming 100% of the rights offering
A	Amount to be raised by this offering	\$500,000	\$500,000	\$544,270	\$816,405	\$1,088,540
B	Selling commissions and fees	\$0	\$0	\$0	\$0	\$0

C	Estimated offering costs (e.g., legal, accounting, audit)	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
D	Available funds: D = A - (B + C)	\$400,000	\$400,000	\$444,270	\$716,405	\$988,540
E	Additional sources of funding <sup>(1)</sup>	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
F	Working capital deficiency	\$0	\$0	\$0	\$0	\$0
G	<b>Total: G = (D + E) - F</b>	<b>\$430,000</b>	<b>\$430,000</b>	<b>\$474,270</b>	<b>\$746,405</b>	<b>\$1,018,540</b>

(1) Estimated working capital of \$30,000 as at January 18, 2018.

### How will we use the available funds?

Shoal is a petroleum exploration and development company focused on exploration and development of the oil rich shales of the Humber Arm Allochthon where Shoal holds the rights to the exploration lands covering approximately 220,000 acres in the near offshore of the west coast of Newfoundland.

Shoal intends to use the proceeds from the offering to explore and develop oil and gas assets in Western Newfoundland and for general corporate purposes.

Shoal estimates it will use the available funds from the rights offering as follows:

	Assuming Standby Commitment only	Assuming 15% of the rights offering	Assuming 50% of the rights offering	Assuming 75% of the rights offering	Assuming 100% of the rights offering
Corporate G&A for next 12 months <sup>(1)</sup>	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
General corporate purposes	\$200,000	\$200,000	\$244,270	\$516,405	\$788,540
Total use of available funds	\$500,000	\$500,000	\$544,270	\$816,405	\$1,088,540

(1) From March 1, 2018 to February 28, 2019.

Shoal intends to spend the available funds as stated. However, there may be circumstances where a reallocation of the available funds may be necessary. Shoal will reallocate funds only for sound business reasons. In any event the available funds will be used by Shoal in furtherance of its business and consistent with its stated business plan.

### How long will the available funds last?

Assuming only the Standby Commitment is completed, Shoal estimates that the funds raised in the rights offering will last approximately 18 months.

## INSIDER PARTICIPATION

### Will insiders be participating?

Upon reasonable inquiry, as of the date of this Circular, Mark Jarvis, a director and the Chief Executive Officer of Shoal, intends to participate in the Rights Offering, it is not known whether other insiders (as defined in applicable Canadian securities legislation) intend to participate in the Rights Offering.

**Who are the holders of 10% or more of our common shares before and after the rights offering?**

To the knowledge of the directors and senior officers of Shoal, as at the date hereof, no person or company beneficially owns, directly or indirectly, or controls or directs more than 10% of any class of Shoal’s voting securities. To the knowledge of the directors and senior officers of Shoal, the following persons will beneficially own, directly or indirectly, or control or direct more than 10% of Shoal’s voting securities after the Rights Offering.

<b>Name</b>	<b>Holdings before the offering</b>	<b>Holdings after the offering</b>
Mark Jarvis	698,320 Common Shares	4,396,640 Common Shares <sup>(2)</sup>

- (1) For the purposes of the table above, all holdings are expressed on a post-Consolidation basis (as such term is later defined).
- (2) Assuming the Standby Purchasers take up the entire Standby Commitment to result in 100% participation in the Rights Offering and.

**DILUTION**

**If I do not exercise my rights, by how much will my security holdings be diluted?**

Assuming issuance of the maximum number of common shares under the rights offering, if you do not exercise your rights your shareholdings will be diluted by 50%.

**STANDBY COMMITMENT**

**Who is the Standby Purchaser and what are the fees?**

We have entered into a Standby Purchase Agreement (the “**Standby Purchase Agreement**”) with Mark Jarvis, Bill Vance, Rob Fia, Fred Hofman and Wil Matthews (collectively, the “**Standby Purchasers**”). Mr. Jarvis is the Chief Executive Officer and a director of Shoal; the other Standby Purchasers are arm’s length investors.

Pursuant to the Standby Purchase Agreement the Standby Purchasers will subscribe for all common shares offered under the rights offering that are not otherwise purchased under the Basic Subscription Privilege and the Additional Subscription Privilege (the “**Standby Commitment**”), provided that the aggregate amount of the Standby Purchasers’ Standby Commitment shall not exceed \$500,000.

In consideration for providing the Standby Commitment, the Standby Purchasers will receive warrants entitling each Standby Purchaser to acquire common shares equal to 25% of the maximum number of common shares that the Standby Purchaser has agreed to acquire pursuant to the Standby Purchase Agreement, exercisable within three years after the closing of the rights offering and having a per share exercise price equal to the volume weighted average trading price of the Common Shares for the five trading days prior to the Closing Date.

Either Shoal or any of the Standby Purchasers may terminate the Standby Purchase Agreement if certain mutual conditions precedent are not satisfied on the Closing Date. The Standby Purchasers may terminate the Standby Purchase Agreement, without any liability on their part, if the conditions in favour of the Standby Purchasers have not been satisfied on the Closing Date. Shoal may terminate and cancel its obligations under the Purchase Agreement if the conditions in favour of Shoal have not been satisfied on the Closing Date.

**Have we confirmed that the Standby Purchaser has the financial ability to carry out its Standby Commitment?**

Yes.

**What are the security holdings of the Standby Purchasers before and after the offering?**

<b>Name</b>	<b>Holdings before the offering</b>	<b>Holdings after the offering if the Standby Purchasers take up the entire Standby commitment<sup>(3)</sup></b>

Mark Jarvis	698,320	4,396,640
Bill Vance	Nil	1,000,000
Rob Fia	809,200	3,809,200
Fred Hofman	Nil	1,000,000
Wil Matthews	845,466	2,845,466

- (1) For the purposes of the table above, the Standby Purchases' holdings do not include any common shares which may result from the exercise of rights issued to the Standby Purchasers on their exercise of warrants issued to the Standby Purchasers as part of the Standby Commitment.
- (2) For the purposes of the table above, all holdings are expressed on a post-Consolidation basis.
- (3) Except for Mark Jarvis, who has indicated that he intends to participate in the offering, the Standby Purchases' holdings do not include any common shares which may result from the exercise of rights issued to the Standby Purchasers as a result of them holding common shares before the offering. As Mark Jarvis has indicated that he intends to participate in the offer, his holdings do include that number of common shares that would be issued as a result of him exercising all the rights issued to him as a result of his pre-offering holdings.

**Who is the managing dealer and what are its fees?**

There will be no managing dealer for the offering.

**Does the managing dealer have a conflict of interest?**

Not Applicable.

**HOW TO EXERCISE THE RIGHTS**

Subscriptions for Common Shares made in connection with this rights offering either directly or through a Participant will be irrevocable.

**How does a security holder that is a registered holder participate in the rights offering?**

If you are a registered holder of Common Shares, a certificate (the "**Rights Certificate**") representing the total number of transferable rights to which you are entitled as at the Record Date has been mailed to you with a copy of the rights offering notice. To exercise the rights represented by the Rights Certificate, you must complete and deliver the Rights Certificate in accordance with the instructions set out below. Rights not exercised at or prior to the Expiry Time will be void and of no value. The method of delivery is at the discretion and risk of the holder of the Rights Certificate and delivery to the Subscription Agent will only be effective when actually received by the Subscription Agent. Rights Certificates and payments received after the Expiry Time will not be accepted.

In order to exercise your rights you must:

1. **Complete and sign Form 1 on the Rights Certificate.** The maximum number of rights that you may exercise under the Basic Subscription Privilege is shown in the box on the upper right hand corner of the face of the Rights Certificate. If you complete the Form 1 so as to exercise some but not all of the rights evidenced by the Rights Certificate, you will be deemed to have waived the unexercised balance of such rights, unless you otherwise specifically advise the Subscription Agent at the time the Rights Certificate is surrendered to the Subscription Agent.
2. **Additional Subscription Privilege.** Complete and sign Form 2 on the Rights Certificate only if you also wish to participate in the Additional Subscription Privilege (see "*How to exercise the rights? – What is the Additional Subscription Privilege?*").

3. **Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of Computershare Investor Services Inc.** To exercise the rights you must pay \$0.002 per common share (\$0.05 per share, post-Consolidation). In addition to the amount payable for any common shares you wish to purchase under the Basic Subscription right, you must also pay the amount required for any common shares subscribed for under the Additional Subscription Privilege.
4. **Delivery.** Deliver or mail the completed Rights Certificate and payment in the enclosed return envelope addressed to the Subscription Agent so that it is received by the Subscription Office of the Subscription Agent set forth below before the Expiry Time. If you are mailing your documents, registered mail is recommended. Please allow sufficient time to avoid late delivery.

The signature of the Rights Certificate holder must correspond in every particular with the name that appears on the face of the Rights Certificate.

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a company or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent. We will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription in our sole discretion. Subscriptions are irrevocable. We reserve the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of common shares pursuant thereto could be unlawful. We also reserve the right to waive any defect in respect of any particular subscription. Neither we nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will we be liable for the failure to give any such notice.

#### **How does a security holder that is not a registered holder participate in the rights offering?**

You are a beneficial Eligible Holder if you hold your common shares through a securities broker or dealer, bank or trust company or other participant (each, a “**Participant**”) in the book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”). The total number of rights to which all beneficial Eligible Holders as at the Record Date are entitled will be issued to CDS and will be deposited with CDS following the Record Date. We expect that each beneficial Eligible Holder will receive a confirmation of the number of rights issued to it from its Participant in accordance with the practices and procedures of that Participant. CDS will be responsible for establishing and maintaining book-entry accounts for Participants holding rights.

Neither we nor the Subscription Agent will have any liability for (i) the records maintained by CDS or Participants relating to the rights or the book-entry accounts maintained by them, (ii) maintaining, supervising or reviewing any records relating to such rights, or (iii) any advice or representations made or given by CDS or Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or Participants.

If you are a beneficial Eligible Holder:

1. to exercise your rights held through a Participant, you must instruct such Participant to exercise all or a specified number of such rights, and forward to such Participant, the Subscription Price for each common share that you wish to subscribe for.
2. you may subscribe for Additional Common Shares pursuant to the Additional Subscription Privilege by instructing such Participant to exercise the Additional Subscription Privilege in respect of the number of Additional Common Shares you wish to subscribe for, and forwarding to such Participant the Subscription Price for such Additional Common Shares requested.

Any excess funds will be returned to the relevant Participant for the account of the beneficial holder, without interest or deduction.

### **Who is eligible to receive the rights?**

The rights are offered only to Shareholders resident in Eligible Jurisdictions (“**Eligible Holders**”). Shareholders will be presumed to be resident in the place of their registered address, unless the contrary is shown to our satisfaction. This rights offering circular is not to be construed as an offering of the rights, or the common shares issuable upon exercise of the rights, for sale in any jurisdiction outside the Eligible Jurisdictions, including the United States (an “**Ineligible Jurisdiction**”), or to Shareholders who are residents of any jurisdiction other than the Eligible Jurisdictions (“**Ineligible Holders**”), or a solicitation therein of an offer to buy any securities therein or thereto. This rights offering circular will not be delivered to any Ineligible Holder unless such Ineligible Holder satisfies us that it is an Approved Eligible Holder, as provided below.

An Ineligible Holder that is outside the Eligible Jurisdictions and the United States and satisfies us and our counsel that such offering to and subscription by such holder or transferee is lawful and in compliance with all applicable securities and other laws (each an “**Approved Eligible Holder**”) may have its Rights Certificates issued and forwarded by Computershare Investor Services Inc. (the “**Subscription Agent**”) upon direction from us. The Subscription Agent will hold the rights until February 25, 2018 (10 days prior to Expiry Time), in order to give the beneficial holders an opportunity to claim the Rights Certificate by satisfying us that they are an Approved Eligible Holder.

Holders of rights who are not resident in Canada should be aware that the acquisition and disposition of rights or Common Shares may have tax consequences in the jurisdiction where they reside, which are not described herein. Accordingly, such holders should consult their own tax advisors about the specific tax consequences in the jurisdiction where they reside of acquiring, holding and disposing of rights or Common Shares.

### **What is the Additional Subscription Privilege and how can you exercise this privilege?**

#### *Registered holders of rights*

If you exercise all of your rights under the Basic Subscription Privilege, you may subscribe for additional Common Shares that have not been subscribed and paid for pursuant to the Basic Subscription Privilege pursuant to the Additional Subscription Privilege.

If you wish to exercise the Additional Subscription Privilege, you must first exercise your Basic Subscription Right in full by completing Form 1 on the Rights Certificate for the maximum number of Common Shares that you may subscribe for and also complete Form 2 on the Rights Certificate, specifying the number of Additional Common Shares desired. Send the purchase price for the Additional Common Shares under the Additional Subscription Privilege with your Rights Certificate to the Subscription Agent. The purchase price is payable by certified cheque, bank draft or money order payable to the order of Computershare Investor Services Inc. These funds will be placed in a segregated account pending allocation of the Additional Common Shares, with any excess funds being returned by mail without interest or deduction. Interest, if any, earned on such funds will be for our benefit.

If the aggregate number of Additional Common Shares subscribed for by those who exercise their Additional Subscription Privilege is less than the number of available Additional Common Shares, each such holder of rights will be allotted the number of Additional Common Shares subscribed for under the Additional Subscription Privilege.

If the aggregate number of Additional Common Shares subscribed for by those who exercise their Additional Subscription Privilege exceeds the number of available Additional Common Shares, each such holder of rights will be entitled to receive the number of Additional Common Shares equal to the lesser of:

1. the number of Additional Common Shares subscribed for by the holder under the Additional Subscription Privilege; and
2. the product (disregarding fractions) obtained by multiplying the aggregate number of Additional Common Shares available through unexercised rights by a fraction, the numerator of which is the number of rights previously exercised by the holder and the denominator of which is the aggregate number of



rights previously exercised by all holders of rights who have subscribed for Additional Common Shares under the Additional Subscription Privilege.

As soon as practicable after the Expiry Time, the Subscription Agent will mail to each holder of rights who completed Form 2 on the Rights Certificate, a certificate for the Additional Common Shares which that holder has purchased and shall return to the holder any excess funds paid for the subscription of Additional Common Shares by such holder under the Additional Subscription Privilege, without interest or deduction.

#### *Beneficial holders of rights*

If you are a beneficial holder of rights through a Participant in CDS and you wish to exercise your Additional Subscription Privilege, you must deliver your payment and instructions to the Participant sufficiently in advance of the Expiry Time to allow the Participant to properly exercise the Additional Subscription Privilege on your behalf.

#### **How does a rights holder sell or transfer rights?**

##### *Registered holders of rights*

The rights will not be listed for trading on any stock exchange. If you do not wish to exercise your rights, you may sell or transfer them privately at your expense, subject to any applicable resale restrictions (see “*How to exercise the rights – Are there restrictions on the resale of securities?*” below). You may elect to exercise a part only of your rights and dispose of the remainder, or dispose of all your rights. Any commission or other fee payable in connection with the exercise or any trade of rights (other than the fee for services to be performed by the Subscription Agent as described herein) is the responsibility of the holder of such rights. Depending on the number of rights a holder may wish to sell, the commission payable in connection with a sale of rights could exceed the proceeds received from such sale.

If you wish to transfer your rights, complete Form 3 (the “**Transfer Form**”) on the Rights Certificate, have the signature guaranteed by an “eligible institution” to the satisfaction of the Subscription Agent and deliver the Rights Certificate to the transferee. For this purpose, eligible institution means a Canadian Schedule 1 chartered bank, a major trust company in Canada, a member of the Securities Transfer Agents Medallion Program (“**STAMP**”), or a member of the Stock Exchange Medallion Program (“**SEMP**”). Members of these programs are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada.

It is not necessary for a transferee to obtain a new Rights Certificate to exercise the rights or the Additional Subscription Privilege, but the signature of the transferee on Forms 1 and 2 must correspond in every particular with the name of the transferee shown on the Transfer Form. If the Transfer Form is properly completed, Shoal and the Subscription Agent will treat the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary. A Rights Certificate so completed should be delivered to the appropriate person in ample time for the transferee to use it before the expiration of the rights.

##### *Beneficial holders of rights*

If you hold Common Shares through a Participant, you must arrange for the exercise, transfer or purchase of rights through that Participant.

#### **When can you trade the common shares issuable upon the exercise of your rights?**

The Common Shares issuable upon the exercise of your rights will be listed on the CSE under the trading symbol “SHP” and will be available for trading as soon as practicable after the closing of the Rights Offering.

**Are there restrictions on the resale of securities?**

Rights and the Common Shares issuable upon exercise of such rights distributed to shareholders in the Eligible Jurisdictions may be resold without hold period restrictions under the applicable securities laws of the Eligible Jurisdictions provided that: (i) the sale is not by a “control person” of Shoal; (ii) no unusual effort is made to prepare the market or create a demand for the securities being resold; (iii) no extraordinary commission or consideration is paid to a person or company in respect of the resale; and (iv) if the selling security holder is an insider or officer of Shoal, the selling security holder has no reasonable grounds to believe that Shoal is in default of securities legislation. There may be further restrictions on Common Shares acquired by Approved Eligible Holders in Ineligible Jurisdictions, subject to the laws of that respective jurisdiction.

The rights and Common Shares issuable upon exercise thereof may not be offered, sold, pledged or transferred, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person except pursuant to an exemption from the registration requirements of the U.S. Securities Act.

**Will we issue fractional common shares upon exercise of the rights?**

No.

**How will the rights be adjusted to reflect the proposed consolidation?**

At the special meeting of the shareholders of Shoal held on June 22, 2017, shareholders approved a consolidation of the outstanding share capital of Shoal on the basis that up to every one-hundred (100) Common Shares be consolidated into one (1) Common Share. Shoal has determined to proceed with a consolidation of the outstanding share capital of Shoal on the basis that every twenty-five (25) Common Shares outstanding prior to the consolidation becoming effective shall be consolidated into one (1) Common Share. It is anticipated that the Consolidation will become effective prior to the Expiry Time. If the 25:1 consolidation becomes effective prior to the Expiry Time, the terms of the rights shall be concurrently adjusted to provide that, instead of one right entitling the holder to subscribe for one pre-Consolidation Common Share at a price of \$0.002 per Common Share, twenty-five (25) rights shall entitle the holder to subscribe for one post-Consolidation Common Share at a price of \$0.05 per Common Share.

**APPOINTMENT OF DEPOSITARY**

**Who is the Depository?**

Computershare Investor Services Inc. is the depository for the offering. The depository has been appointed to receive subscriptions and payments from holders of rights and to perform the services relating to the exercise and transfer of the rights.

**What happens if we do not receive funds from the Standby Guarantor?**

We have entered into an agreement with the Depository under which the Depository will return the money held by it to the holders of rights that have already subscribed for securities under the rights offering, if we do not receive funds from the Standby Guarantor. If we terminate the rights offering, the Subscription Agent will return all funds held by it to holders of rights that have subscribed for securities under the offering without interest or deduction.

**ADDITIONAL INFORMATION**

**Where can you find more information about Shoal?**

You can access our continuous disclosure documents filed with Canadian securities regulators under our issuer profile at [www.sedar.com](http://www.sedar.com).

You can also access information about us at our website at [www.shoalpointenergy.com](http://www.shoalpointenergy.com).

## MATERIAL FACTS AND MATERIAL CHANGES

**There is no material fact or material change about the issuer that has not been generally disclosed.**

### RISK FACTORS

An investment in the rights or Common Shares issuable upon exercise of the right is subject to certain risks, including those described below, as well as in our continuous disclosure documents. You can access our continuous disclosure documents filed with Canadian securities regulators under our issuer profile at [www.sedar.com](http://www.sedar.com).

#### **Risks relating to Shoal and its Business**

##### *No Operating Revenue*

The Common Shares are highly speculative in nature. Shoal has no operating revenue. Further, there can be no assurance that any of its properties will produce revenue, generate earnings, operate profitably or provide a return on investment in the future. Accordingly, an investment in Common Shares is appropriate only for those investors who are prepared to invest in Shoal for the long term and who have the capacity to absorb a total loss of their investment.

##### *Volatility of Oil Prices*

Shoal's results of operations and financial condition will be dependent on the market prices for oil. Oil prices have fluctuated widely during recent years and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond Shoal's control. These factors include, but are not limited to, worldwide political instability, foreign supply of oil and natural gas, the level of consumer demand, government regulations and taxes, the price and availability of alternative fuels and the overall economic environment. The absence of an increase in oil and/or gas prices could have a material adverse effect on Shoal's operations, financial condition and the level of expenditures for the development of its resources. No assurance can be given that oil and/or gas prices will be at levels which will generate profits for Shoal. The economics of developing some of Shoal's properties may change as a result of lower oil prices. Shoal might also elect not to develop or delay development of certain properties at lower oil prices. All of these factors could result in a material decrease in Shoal's development activities.

##### *Future Financing*

Shoal may require future financing to fund its exploration, development and operations and this financing could be obtained through the issuance of equity and/or debt. If required, there can be no assurance that additional financing will be available to Shoal when needed or on terms acceptable to Shoal. Shoal's inability to raise funding to support ongoing operations and to fund capital expenditures or acquisitions may limit its growth or may have a material adverse effect upon Shoal. Shoal cannot predict the size of future issuances of equity or the issuance of debt or the effect, if any, that future issuances and sales of its securities may have on the market price of the Common Shares.

##### *Operational Risks*

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

### *Environmental Concerns*

The oil and natural gas industry is subject to environmental regulations pursuant to provincial and federal legislation. A breach of such legislation may result in the imposition of fines or other penalties, the revocation of necessary licenses and authorizations and civil liability for pollution damage. This could result from either exploration or property abandonment activities. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. Should Shoal be unable to fully fund the cost of remedying an environmental problem, Shoal might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. Although Shoal believes that it is in material compliance with current applicable environmental regulations, no assurance can be given that environmental laws will not adversely affect its financial condition, results of operations or prospects.

### *Management and Key Personnel*

Successfully exploring for, developing and commercializing oil and gas interests depends on a number of factors, not the least of which is the technical skill of the personnel involved. Shoal's success will be, in part, dependent on the performance of its key managers and consultants. Failure to retain the managers and consultants, or to attract or retain additional key personnel, with the necessary skills and experience could have a materially adverse impact upon Shoal's growth and profitability.

### *Competition*

There is strong competition relating to all aspects of the oil and natural gas industry. Shoal will actively compete for capital, skilled personnel, access to equipment, access to processing facilities and pipeline and refining capacity and in all other aspects of its operations with a substantial number of other organizations, many of which will have greater technical and financial resources than Shoal.

### *Resources Estimates*

The Corporation's historical resource estimates have been classified as undiscovered petroleum initially in place and prospective resources. Any such resource estimates are estimates only. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. Readers are cautioned that the volumes presented are estimates only and should not be construed as being exact quantities.

### *Royalty Regimes*

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

### **Risks relating to the rights offering**

#### *Dilution*

If you do not exercise all of your rights pursuant to the Basic Subscription Privilege, your current percentage ownership in Shoal will be diluted by the issuance of Common Shares upon the exercise of rights by other holders of rights. Your ownership in Shoal may also be subject to further dilution if the warrants issued as part of the Standby Commitment are exercised.

*No Minimum Offering*

The rights offering is not conditional upon receiving a minimum amount of proceeds. If we decide to terminate the rights offering, we will not have any obligation with respect to the rights except to return any exercise payments, without interest or deduction.

*Use of Proceeds*

Shoal currently intends to allocate the proceeds received from the rights offering as described under “*Use of Proceeds*”; however management will have discretion in the actual application of the proceeds and may elect to allocate proceeds differently than those described if it believes that it would be in the best interests of Shoal to do so as circumstances change. The failure of management to apply these funds effectively could have a material adverse effect on Shoal.

*No Trading Market for Rights*

There is currently no market through which the rights may be sold and the rights will not be listed on any securities or stock exchange or any automated dealer quotation systems. There can be no assurance that an active trading market of the rights will develop or, if developed, that any such market will be sustained.

*Exercises of Rights Irrevocable*

You may not revoke or change the exercise of your rights after you send in your subscription form and payment. The Common Share trading price could decline below the Subscription Price for the Common Shares, resulting in a loss of some or all of your subscription payment.

*Subscription Price Not Necessarily Indication of Value*

You should not consider the Subscription Price to be an indication of Shoal’s value, and the Common Shares may trade at prices above or below the Subscription Price.

*Responsibilities of Holders of Rights*

If you fail to follow the subscription procedures and meet the subscription deadline your subscription may be rejected. None of Shoal, the Subscription Agent or any Participant undertakes to contact you concerning, or will attempt to correct, an incomplete or incorrect payment or subscription form. Whether a subscription properly follows subscription procedures is solely within our discretion.