SHOAL POINT ENERGY LTD.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JANUARY 31, 2019 AND 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shoal Point Energy Ltd.

Opinion

We have audited the financial statements of Shoal Point Energy Ltd. (the "Company"), which comprise the statements of financial position as at January 31, 2019 and 2018, and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 29, 2019

SHOAL POINT ENERGY LTD.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		January 31, 2019		January 31, 2018
ASSETS				
CURRENT				
Cash and cash equivalents	$	**538,542**	$	15,068
Accounts receivable		**23,269**		4,676
Prepaid expenses		**8,653**		24,110
		570,464		43,854
RECLAMATION DEPOSIT (Note 5)		**50,000**		50,000
OIL & NATURAL GAS PROPERTIES AND EQUIPMENT (Note 6)		**2,105,120**		2,004,029
	$	**2,725,584**	$	2,097,883
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$	**37,135**	$	34,707
Loan payable (Note 7)		**-**		35,547
		37,135		70,254
SHAREHOLDERS' EQUITY				
Share capital (Note 8)		**60,323,128**		59,444,279
Warrants (Note 8)		**12,010,366**		11,876,223
Contributed surplus (Note 8)		**4,547,693**		4,403,988
Deficit		**(74,192,738)**		(73,696,861)
		2,688,449		2,027,629
	$	**2,725,584**	$	2,097,883

GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Note 9)

SUBSEQUENT EVENT (Note 13)

Approved on behalf of the board:

“Brian Usher-Jones”
Director

“Mark Jarvis”
CEO, Chairman and Director

SHOAL POINT ENERGY LTD.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	January 31, 2019	January 31, 2018
Expenses		
Depreciation (Note 6)	**$ 2,099**	$ 1,296
Management salaries (Note 10)	**143,248**	164,600
Office, general and administrative	**122,151**	112,187
Oil and natural gas property impairment (Note 6)	**-**	5,689,832
Professional fees (Note 10)	**50,063**	48,833
Rent	**34,967**	42,491
Share-based compensation (Notes 8 and 10)	**143,705**	-
Loss from operations	**(496,233)**	(6,059,239)
Interest and other income	**356**	612
Net loss and comprehensive loss for the year	**$ (495,877)**	$ (6,058,627)
Loss per share		
Basic and diluted* (Note 11)	**$ (0.01)**	$ (0.28)
Weighted average number of common shares outstanding*	**41,032,026**	21,766,350

* Post 25:1 share consolidation (Note 8)

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

SHOAL POINT ENERGY LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share capital		Warrants				
	Number of shares*	Amount	Number of warrants *	Amount	Contributed Surplus	Deficit	Total
Balance, January 31, 2017	21,768,350	$ 59,444,279	2,760,640	$ 11,876,223	$ 4,403,988	$ (67,638,234)	$ 8,086,256
Comprehensive loss for the year	-	-	-	-	-	(6,058,627)	(6,058,627)
Balance, January 31, 2018	21,768,350	59,444,279	2,760,640	11,876,223	4,403,988	(73,696,861)	2,027,629
Shares issued for cash (Note 8)	21,770,810	1,088,541	-	-	-	-	1,088,541
Less: issuance costs - cash	-	(75,549)	-	-	-	-	(75,549)
Less: issuance costs - warrants	-	(134,143)	2,500,000	134,143	-	-	-
Stock-based compensation (Note 8)	-	-	-	-	143,705	-	143,705
Comprehensive loss for the year	-	-	-	-	-	(495,877)	(495,877)
Balance, January 31, 2019	**43,539,160**	**$ 60,323,128**	**5,260,640**	**$ 12,010,366**	**$ 4,547,693**	**$ (74,179,738)**	**$ 2,701,449**

* Post 25:1 share consolidation (Note 8)

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

SHOAL POINT ENERGY LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2019 AND 2018
(Expressed in Canadian Dollars)

	January 31, 2019	January 31, 2018
Cash flows from operating activities		
Net loss for the year	**$ (495,877)**	$ (6,058,627)
Adjustments not effecting cash:		
Depreciation	**2,099**	1,296
Accrued interest	**-**	547
Oil and natural gas property impairment	**-**	5,689,832
Share-based compensation	**143,705**	-
Changes in non-cash working capital		
Accounts receivable	**(18,593)**	18,873
Prepaid expenses	**15,457**	(4,922)
Accounts payable and accrued liabilities	**2,428**	14,344
Cash flows used in operating activities	**(350,781)**	(338,657)
Cash flows from investing activities		
Purchase of equipment	**(3,879)**	(856)
Oil and natural gas properties	**(99,311)**	(152,692)
Cash flows used in investing activities	**(103,190)**	(153,548)
Cash flows from financing activities		
(Repayment of) proceeds from loan payable	**(35,547)**	35,000
Proceeds from share issuances	**1,088,541**	-
Share issuance costs - cash	**(75,549)**	-
Cash flows provided by financing activities	**977,445**	35,000
Increase (decrease) in cash	**523,474**	(457,205)
Cash and cash equivalents, beginning of year	**15,068**	472,273
Cash and cash equivalents, end of year	**$ 538,542**	$ 15,068

The components of cash and cash equivalents are as follows:

Cash	**$ 527,535**	$ 4,068
Term deposit	**11,007**	11,000
	$ 538,542	$ 15,068

1. REPORTING ENTITY AND GOING CONCERN

Shoal Point Energy Ltd. (the "Company") was incorporated on December 22, 2006 under the Business Corporations Act (Alberta). The Company was incorporated for the purpose of acquisition, exploration and development of oil and natural gas properties in Canada. The Company is headquartered at Suite 203 – 700 West Pender Street, Vancouver, B.C. V6E 3V7. On October 26, 2010, the Company filed articles of continuance in Ontario. On November 23, 2010, the Company began trading on the Canadian Securities Exchange ("CSE") under the symbol SHP.

Effective February 7, 2018, the Company consolidated its common shares on the basis of one new common share for every twenty-five old common shares issued and outstanding at that time (Note 8). All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

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

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. To continue as a going concern, the Company needs to raise the capital necessary to continue in its oil and natural gas exploration business and ultimately to achieve positive cash flow from operations. In the current economic market, there is no certainty that management will be successful in these efforts. Management intends to finance operating costs over the next twelve months with existing cash or private placements. These factors indicate the existence of a material uncertainty that may give rise to significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

Statement of Compliance
The financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the board of directors on May 29, 2019.

Basis of Measurement
The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable.

Functional and Presentation Currency
These financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and assumptions
The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and contingent assets and liabilities. Significant estimates include the recoverability of the carrying value of oil and natural gas properties, the fair value measurements and assumptions relating to financial instruments and stock based transactions, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities.

2. BASIS OF PRESENTATION (cont'd)

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Actual results could significantly differ from those estimates.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the classification of expenditures on oil and natural gas assets and the going concern assumption.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting polices set out below have been applied consistently to all periods presented in these financial statements.

OIL AND NATURAL GAS PROPERTIES (exploration and evaluation assets)

Exploration and evaluation ("E&E") expenditures 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 are included in E&E.

All items currently in oil and natural gas properties are considered E&E properties under IFRS 6, "Exploration for and Evaluation of Mineral Resources". The Company's oil and natural gas properties are not subject to depletion and will be moved into developed oil and natural gas properties when they are determined to meet certain technical feasibility and commercial viability thresholds as determined by management. Upon transfer to developed oil and natural gas properties, these E&E assets are assessed for impairment to ensure that they are not carried at amounts above their recoverable values.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

EQUIPMENT

Recognition and Measurement

Equipment is 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

Equipment is depreciated annually on a declining balance basis using rates of 20%-30% respectively.

Impairment

The carrying amounts of the Company's equipment is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

ACCOUNTING FOR INCOME TAXES

Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

Deferred income tax assets and liabilities are calculated using substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

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

BASIC AND DILUTED LOSS PER COMMON SHARE

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise the warrants and share options granted by the Company.

SHARE-BASED PAYMENTS

Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Under this method, the fair value of the equity-settled share-based payment is measured on the date of grant using the Black-Scholes Option Pricing Model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. For options that do not vest immediately, the fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

Equity-settled, share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service, using the Black-Scholes Option Pricing Model. The Black-Scholes Option Pricing Model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RECLAMATION OBLIGATION

A legal or constructive obligation to incur restoration, rehabilitation, and environmental costs may arise when environmental disturbance is caused by the exploration, development, or ongoing production of an oil and natural gas property interest. The Company's exploration activities are subject to various governmental laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and are generally becoming more restrictive.

The fair value of the liability for a reclamation obligation is recorded when it is incurred and is measured at the net present value. The corresponding increase to the asset is amortized over the life of the asset. The liability is adjusted each period for the unwinding of discount with the associated expense included in net loss.

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 first to shares and then to warrants for any residual value. The fair value of the share component is credited to share capital and the value of the warrant component is credited to the warrants account. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the warrants account is recorded as an increase to share capital. Broker warrants issued separately are valued using the Black-Scholes Option Pricing Model.

RESERVES

Warrant reserve

The warrant reserve records the value recognized of warrants issued with respect to financings, until such time as the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount remains in the reserve account.

Contributed surplus

Contributed surplus records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in the reserve account.

FOREIGN CURRENCY TRANSLATION

The Company's functional and presentation currency is the Canadian dollar. Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate, and non-monetary assets and liabilities at the historical rates. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss.

FINANCIAL INSTRUMENTS

Recognition and classification

The Company recognized a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income.

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

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.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SHARE ISSUANCE COSTS

Professional, consulting, regulatory fees and other costs that are directly attributable to the issuance of shares are charged to share capital when the related shares are issued, net of any tax effects. Transaction costs of abandoned equity transactions are recognized in profit and loss.

ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

New and amended standards adopted by the Company

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" and became effective for the Company on February 1, 2018. IFRS 9 includes requirements for classification and measurement of financial assets and financial liabilities; impairment methodology for financial instruments; and general hedge accounting. IFRS 9 has specific requirements for whether debt instruments are accounted for at amortized cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 requires equity instruments to be measured at fair value through profit or loss unless an irrevocable election is made to measure them at fair value through other comprehensive income, which results in changes in fair value not being recycled to the income statement. The adoption of this standard did not have a material measurement or disclosure impact on the Company's financial statements.

The Company completed a detailed assessment of its financial assets and liabilities as at February 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification IAS 39	**New classification IFRS 9**
Cash and cash equivalents	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Reclamation deposit	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost

The Company did not restate prior periods as there was no impact at the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on February 1, 2018.

New standards and interpretations not yet adopted

IFRS 16 "Leases" replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. The adoption of this standard is not expected to have a material measurement or disclosure impact on the Company's financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

(Expressed in Canadian Dollars)

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

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. The Company's primary exposure to credit risk is on its cash held in bank accounts. All of the cash is deposited in bank accounts held with one major bank in Canada. Since all of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any direct exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have any significant interest rate risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the exploration and development of its exploration and evaluation assets and to sustain future development of the business. The capital structure of the Company consists of equity and debt obligations, net of cash.

There were no changes in the Company's approach to capital management during the period and no restrictions.

Classification of financial instruments

Financial assets included in the statements of financial position are as follows:

	January 31, 2019	January 31, 2018
Amortized cost:		
Cash	$ 527,535	$ 4,068
Term deposit	11,007	11,000
Reclamation deposit	50,000	50,000
	$ 588,542	$ 65,068

(Expressed in Canadian Dollars)

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (cont'd)

Financial liabilities included in the statements of financial position are as follows:

	January 31, 2019	January 31, 2018
Amortized cost:		
Trade payables	$ 37,135	$ 34,707
Loan payable	-	35,547
	$ 37,135	$ 70,254

Fair value
The fair value of the Company's financial assets and liabilities approximates the carrying amount.

5. RECLAMATION DEPOSIT

The reclamation deposit consists of a $50,000 deposit with the Department of Natural Resources of Newfoundland and Labrador posted in August 2016.

6. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

	Oil and natural gas properties	Equipment and software	Total
Cost			
Balance at January 31, 2017	$ 7,537,140	$ 24,053	$ 7,561,193
Additions	152,692	856	153,548
Impairment	(5,689,832)	-	(5,689,832)
Balance at January 31, 2018	2,000,000	24,909	2,024,909
Additions	99,311	3,879	103,190
Balance at January 31, 2019	$ 2,099,311	$ 28,788	$ 2,128,099

	Oil and natural gas properties	Equipment and software	Total
Accumulated Depreciation			
Balance at January 31, 2017	$ -	$ 19,584	$ 19,584
Depreciation for the year	-	1,296	1,296
Balance at January 31, 2018	-	20,880	20,880
Depreciation for the year	-	2,099	2,099
Balance at January 31, 2019	$ -	$ 22,979	$ 22,979
Carrying Amounts			
As at January 31, 2018	$ 2,000,000	$ 4,029	$ 2,004,029
As at January 31, 2019	$ 2,099,311	$ 5,809	$ 2,105,120

6. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT (cont'd)

The Company currently holds exploration license 1070 ("EL 1070") off the west coast of Newfoundland which totals approximately 150,000 acres. In November of 2013, the Minister of Natural Resources announced that applications for hydraulically fracturing wells would not be accepted which effectively imposed a moratorium. In October 2014, the Government of Newfoundland appointed five members to the Newfoundland and Labrador Hydraulic Fracturing Review Panel ("NLFRP") to study the socio-economic and environmental impacts of hydraulic fracturing in western Newfoundland. The report was made public on May 31, 2016 and recommends, among other things, significant further study before hydraulic fracturing could be considered. The Company originally anticipated that it would use hydraulic fracturing to achieve commercial production. The Company submitted a summary planning document to the applicable regulators in Newfoundland and Labrador ("C-NLOPB") which did not involve hydraulic fracturing. The Board of the C-NLOPB met on July 25, 2017 and voted to reject the Company's application to drill a new well. As a result, during the year ended January 31, 2018, the Company recorded an impairment of $5,689,832 to reduce the carrying value to an estimated net realizable amount of $2,000,000 as at January 31, 2018.

After assessing the C-NLOPB decision, the Company, on April 10, 2019, submitted a letter to the Board proposing to do other work on EL 1070 while remaining in diligent pursuit of well 3K-39. The Company awaits a response.

7. LOAN PAYABLE

During the year ended January 31, 2018, the Company received a total of $35,000 from the former CFO of the Company. The loan was due on demand, unsecured, had no maturity date and bore interest at a rate of 10% per annum. During the year ended January 31, 2019, the Company repaid the outstanding balance of the loan in full.

8. EQUITY INSTRUMENTS

(a) Share Capital

Shares issued during the year ended January 31, 2019

On March 13, 2018, the Company completed an equity rights offering (the "Rights Offering") and issued a total of 21,770,810 common shares raising total gross proceeds of $1,088,541. In connection with the financing, the Company incurred $75,549 in share issue costs.

In consideration for providing a standby commitment, certain individuals were granted, in aggregate, 2,500,000 warrants, each entitling the holder to subscribe for one common share at $0.06 per share until March 13, 2021. The fair value of these warrants was accounted for as a share issuance cost and has been determined to be $134,143 and was estimated using the Black-Scholes Option Pricing Model with the following weighted-average assumptions: market value of underlying stock of $0.06; risk free rate of 1.10%; expected term of 5 years; exercise price of $0.06 per share; volatility of 186%; and expected future dividends of $nil.

Shares issued during the year ended January 31, 2018

There were no share issuances for the year ended January 31, 2018.

(b) Share consolidation

Effective February 7, 2018, the Company consolidated its common shares on the basis of one new common share for every twenty-five old common shares issued and outstanding at that time. All references to share and per share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

(Expressed in Canadian Dollars)

8. EQUITY INSTRUMENTS (cont'd)

(c) Stock option plan and stock-based compensation

The Company has a stock option plan to provide employees, directors, officers and others providing consulting services with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of an option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares.

The following table summarizes information concerning the Company's stock options outstanding:

	January 31, 2019		January 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	1,660,000	$ 1.25	1,660,000	$ 1.25
Options granted	3,500,000	$ 0.07	-	-
Options cancelled	(1,280,000)	$ 1.07	-	-
Options expired	(20,000)	$ 3.75	-	-
Options outstanding, ending	3,860,000	$ 0.24	1,660,000	$ 1.25
Options exercisable, ending	3,310,000	$ 0.27	1,660,000	$ 1.25

Details of options outstanding as at January 31, 2019 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
$1.25	2.55 years	560,000
$0.07	4.12 years	2,600,000
$0.07	4.30 years	100,000
$0.06	4.72 years	600,000
$0.24	3.99 years	3,860,000

The grant date fair value of share purchase options granted during the year ended January 31, 2019 has been estimated using the Black-Scholes Option Pricing Model with the following weighted-average assumptions: market value of underlying stock of $0.05; risk free rate of 1.70%; expected term of 5 years; exercise price of the option of $0.07 per share; volatility of 203%; and expected future dividends of nil, for a weighted average grant date fair value of $0.05 per option. 2,500,000 of these stock options vested upon grant, 700,000 of these stock options vest in four equal instalments with the first tranche vesting upon grant and the rest every six month thereafter, 100,000 of these stock options vest in four equal instalments with the first tranche vesting three months from the grant date and the rest every three month thereafter, and 200,000 of these stock options vest in eight equal instalments with the first tranche vesting three months from the grant date and the rest every three month thereafter. During the year ended January 31, 2019, stock based compensation of $143,705 was recognized (2018 – $nil).

(d) Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the year ended January 31, 2019 and 2018:

	January 31, 2019		January 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	2,760,640	$ 1.25	2,760,640	$ 1.25
Warrants issued	2,500,000	0.06	-	-
Warrants outstanding, ending	5,260,640	$ 0.18	2,760,640	$ 1.25

(Expressed in Canadian Dollars)

8. EQUITY INSTRUMENTS (cont'd)

(d) Warrants (cont'd)

At January 31, 2019, the following warrants were outstanding:

Exercise price	Number outstanding	Weighted average remaining contractual life (in years)
$0.08 - 1.25	2,485,600	1.56
$0.08 - 1.25	235,040	1.74
$0.08 - 1.25	40,000	2.12
$0.06	2,500,000	2.12
	5,260,640	1.83

9. COMMITMENTS AND CONTINGENCIES

The Company was named as a defendant in a $3,414,000 lawsuit relating to seismic data which the litigant, Geophysical Services Inc., claims was disclosed by NWest Oil & Gas Inc. ("NWest") to the Company when the Company acquired certain acreage from NWest in a prior year. Management believes the claim to be frivolous towards the Company and without merit. The Company has filed a Summary Dismissal Application with the Alberta Court. A date for hearing of this Application has not been set. No loss provision has been recorded.

10. RELATED PARTY TRANSACTIONS

Key management consists of the Company's directors and officers. Details of key management compensation are as follows:

	January 31, 2019	January 31, 2018
Management salaries	**$ 118,547**	$ 164,600
Professional fees	**13,990**	-
Share-based compensation	**97,879**	-
	$ 230,416	$ 164,600

During the year ended January 31, 2018, the Company received a total of $35,000 from the former CFO of the Company. The loan was due on demand, unsecured, had no maturity date and bore interest at a rate of 10% per annum. During the year ended January 31, 2019, the Company repaid the outstanding balance of the loan in full (Note 7).

Of the 21,770,810 shares issued during the year ended January 31, 2019 pursuant to the Rights Offering, 1,000,000 shares were to the CEO for proceeds of $50,000 (Note 8).

Of the 2,500,000 warrants granted during the year ended January 31, 2019, 750,000 warrants were granted to the CEO (Note 8).

11. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the financial statements by the post 25:1 share consolidation weighted average number of common shares outstanding during the year. 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 years ended January 31, 2019 and 2018, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

(Expressed in Canadian Dollars)

12. INCOME TAXES

The movement in deferred tax in the statement of financial position and the Company's deferred tax assets and liabilities are as follows:

Nature of temporary differences	**January 31, 2019**	January 31, 2018
Oil and natural gas property	$ 2,051,134	$ 1,981,638
Cumulative eligible capital	37,013	38,472
Share issuance costs and other	20,353	3,014
Non-capital losses	15,474,427	14,851,843
	17,582,927	16,874,967
Deferred tax assets not recognized	(17,582,927)	(16,874,967)
	$ -	$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable income will be available against which the Company can utilize the benefits.

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial tax rates of 30% (2018 - 29%) to the loss before income taxes as follows:

	January 31, 2019	January 31, 2018
Expected tax recovery	$ (148,763)	$ (1,757,002)
Stock based compensation costs and other non-deductible expenses	43,112	-
Change in tax rate and other	(602,309)	3,025
Change in deferred tax assets not recognized	707,960	1,753,977
	$ -	$ -

As at January 31, 2019 the Company has non-capital losses of $51,581,422 that can be used to reduce future taxable income. These losses expire as follows:

2027	$ 877,951
2028	1,587,145
2029	2,720,988
2030	1,854,414
2031	772
2032	3,905,473
2033	730,261
2034	2,512,171
2035	730,551
2036	654,913
2037	558,385
2038	35,080,226
2039	368,172
	$ 51,581,422

13. SUBSEQUENT EVENT

On April 2, 2019, the Company incorporated a wholly owned subsidiary, Shoal Point U.S.A. Inc., in Wyoming, USA.