



**SHOAL POINT ENERGY LTD.  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2019 AND 2018**

**UNAUDITED – EXPRESSED IN CANADIAN DOLLARS**

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

"Brian Usher-Jones"  
Director

"Mark Jarvis"  
CEO, Chairman and Director

**SHOAL POINT ENERGY LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Expressed in Canadian Dollars)

	October 31, 2019	January 31, 2019
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 539,471	\$ 538,542
Accounts receivable	15,547	23,269
Prepaid expenses	11,677	8,653
	<b>566,695</b>	<b>570,464</b>
<b>RECLAMATION DEPOSIT</b> (Note 4)	<b>50,000</b>	<b>50,000</b>
<b>OIL &amp; NATURAL GAS PROPERTIES AND EQUIPMENT</b> (Note 5)	<b>2,824,181</b>	<b>2,105,120</b>
	<b>\$ 3,440,876</b>	<b>\$ 2,725,584</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 110,583	\$ 37,135
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	61,523,284	60,323,128
Warrants (Note 6)	12,010,366	12,010,366
Contributed surplus (Note 6)	4,743,631	4,547,693
Accumulated other comprehensive loss	(7,033)	-
Deficit	(74,939,955)	(74,192,738)
	<b>3,330,293</b>	<b>2,688,449</b>
	<b>\$ 3,440,876</b>	<b>\$ 2,725,584</b>

**GOING CONCERN** (Note 1)

**COMMITMENTS AND CONTINGENCIES** (Note 7)

**SUBSEQUENT EVENTS** (Note 6)

**Approved on behalf of the board:**

"Brian Usher-Jones"  
Director

"Mark Jarvis"  
CEO, Chairman and Director

**SHOAL POINT ENERGY LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2019 and 2018**  
**(Unaudited – Expressed in Canadian Dollars)**

	<b>Three Months</b>		<b>Nine Months</b>	
	<b>October 31</b>		<b>October 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Expenses</b>				
Depreciation (Note 5)	\$ 501	\$ 563	\$ 1,464	\$ 1,517
Foreign exchange loss	4,518	-	5,394	-
Investor relations	47,981	-	204,897	-
Management salaries (Note 8)	32,400	35,559	97,182	103,437
Office, general and administrative	48,292	47,669	118,553	114,934
Professional fees (Note 8)	27,074	2,995	85,448	52,156
Rent	7,637	8,867	22,911	25,876
Share-based compensation (Notes 6 and 8)	180,922	7,545	211,514	132,164
<b>Loss from operations</b>	<b>(349,325)</b>	<b>(103,198)</b>	<b>(747,363)</b>	<b>(430,084)</b>
Interest and other income	27	75	146	282
<b>Net loss for the period</b>	<b>(349,298)</b>	<b>(103,123)</b>	<b>(747,217)</b>	<b>(429,802)</b>
<b>Other comprehensive loss</b>				
Exchange differences on translation of foreign operations	(4,908)	-	(7,033)	-
<b>Total comprehensive loss for the period</b>	<b>\$ (354,206)</b>	<b>\$ (103,123)</b>	<b>\$ (754,250)</b>	<b>\$ (429,802)</b>
<b>Loss per share</b>				
Basic and fully diluted* (Note 9)	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding*	57,572,720	43,537,160	45,562,808	40,187,805

\* Post 25:1 share consolidation (Note 6)

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

**SHOAL POINT ENERGY LTD.**  
**CONDENSED INTERM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited – Expressed in Canadian Dollars)

	Share capital		Warrants		Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
	Number of shares*	Amount	Number of warrants *	Amount				
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 6)	21,770,810	1,088,541	-	-	-	-	-	1,088,541
Less: issuance costs - cash	-	(20,404)	-	-	-	-	-	(20,404)
Less: issuance costs - warrants	-	(134,143)	2,500,000	134,143	-	-	-	-
Stock-based compensation (Note 6)	-	-	-	-	132,164	-	-	132,164
Comprehensive loss for the period	-	-	-	-	-	-	(429,802)	(429,802)
Balance, October 31, 2018	43,539,160	60,378,273	5,260,640	12,010,366	4,536,152	-	(74,126,663)	2,798,128
Shares issued costs – cash	-	(55,145)	-	-	-	-	-	(55,145)
Stock-based compensation (Note 6)	-	-	-	-	11,541	-	-	11,541
Comprehensive loss for the period	-	-	-	-	-	-	(66,075)	(66,075)
Balance, January 31, 2019	43,539,160	60,323,128	5,260,640	12,010,366	4,547,693	-	(74,192,738)	2,688,449
Shares issued for cash (Note 6)	14,831,250	1,186,500	7,415,625	-	-	-	-	1,186,500
Less: issuance costs - cash	-	(25,920)	-	-	-	-	-	(25,920)
Exercise of stock options (Note 6)	400,000	39,576	-	-	(15,576)	-	-	24,000
Stock-based compensation (Note 6)	-	-	-	-	211,514	-	-	211,514
Comprehensive loss for the period	-	-	-	-	-	(7,033)	(747,217)	(754,250)
Balance, October 31, 2019	<b>58,770,410</b>	<b>\$ 61,523,284</b>	<b>12,676,265</b>	<b>\$ 12,010,366</b>	<b>\$ 4,743,631</b>	<b>\$ (7,033)</b>	<b>\$ (74,939,955)</b>	<b>\$ 3,330,293</b>

\* Post 25:1 share consolidation (Note 6)

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

**SHOAL POINT ENERGY LTD.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED OCTOBER 31, 2019 AND 2018**  
**(Unaudited – Expressed in Canadian Dollars)**

	2019	2018
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (747,217)	\$ (429,802)
Adjustments not effecting cash:		
Depreciation	1,464	1,517
Share-based compensation	211,514	132,164
Changes in non-cash working capital		
Accounts receivable	7,722	(10,145)
Prepaid expenses	(3,024)	2,857
Accounts payable and accrued liabilities	73,448	(13,156)
Cash flows used in operating activities	<b>(456,093)</b>	<b>(316,565)</b>
<b>Cash flows from investing activities</b>		
Purchase of equipment	(531)	(3,879)
Oil and natural gas properties	<b>(719,994)</b>	<b>(73,753)</b>
Cash flows used in investing activities	<b>(720,525)</b>	<b>(77,632)</b>
<b>Cash flows from financing activities</b>		
Repayment of loan	-	(35,547)
Proceeds from share issuances	<b>1,186,500</b>	1,088,541
Share issuance costs - cash	<b>(25,920)</b>	(20,404)
Exercise of stock options	<b>24,000</b>	-
Cash flows provided by financing activities	<b>1,184,580</b>	1,032,590
Increase in cash	<b>7,962</b>	638,393
Effect of exchange rate changes on cash	<b>(7,033)</b>	-
Cash and cash equivalents, beginning of period	<b>538,542</b>	15,068
Cash and cash equivalents, end of period	<b>\$ 539,471</b>	<b>\$ 653,461</b>
The components of cash and cash equivalents are as follows:		
Cash	<b>\$ 528,386</b>	\$ 642,417
Term deposit	<b>11,085</b>	11,044
	<b>\$ 539,471</b>	<b>\$ 653,461</b>

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

**SHOAL POINT ENERGY LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited – Expressed in Canadian Dollars)**  
**FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2019 AND 2018**

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**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 6). All references to share and per share amounts in these condensed interim consolidated 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 condensed interim consolidated 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**

These condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's audited annual financial statements for the year ended January 31, 2019. They do not include all the information required for complete annual financial statements in accordance 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") and therefore should be read together with the audited annual financial statements for the year ended January 31, 2019.

These condensed interim consolidated financial statements were authorized for issue by the board of directors on December 19, 2019.

**Basis of Measurement**

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

**Consolidation**

These condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned and controlled subsidiary, Shoal Point U.S.A. Inc., incorporated in Wyoming, USA on April 2, 2019.

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained, and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

**SHOAL POINT ENERGY LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**Functional and Presentation Currency**

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company is the Canadian dollar. The functional currency of Shoal Point U.S.A. Inc. is the US dollar.

**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.

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.

**New and amended standards adopted by the Company**

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 adoption of this standard did not have a material measurement or disclosure impact on the Company's condensed interim consolidated financial statements.

**3. 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:

***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.



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*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 significant 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:

	<b>October 31, 2019</b>	<b>January 31, 2019</b>
Amortized cost:		
Cash	\$ 528,386	\$ 527,535
Term deposit	11,085	11,007
Reclamation deposit	50,000	50,000
	<b>\$ 589,471</b>	<b>\$ 588,542</b>

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

	<b>October 31, 2019</b>	<b>January 31, 2019</b>
Amortized cost:		
Trade payables	\$ 110,583	\$ 37,135

*Fair value*

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

**4. 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.

**SHOAL POINT ENERGY LTD.**  
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**5. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT**

	Oil and natural gas properties	Equipment and software	Total
<u>Cost</u>			
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
Additions	719,994	531	720,525
Balance at October 31, 2019	\$ 2,819,305	\$ 29,319	\$ 2,848,624
<u>Accumulated Depreciation</u>			
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
Depreciation for the period	-	1,464	1,464
Balance at October 31, 2019	\$ -	\$ 24,443	24,443
<u>Carrying Amounts</u>			
As at January 31, 2019	\$ 2,099,311	\$ 5,809	\$ 2,105,120
As at October 31, 2019	\$ 2,819,305	\$ 4,876	\$ 2,824,181

Newfoundland, Canada

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.

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.

Mount Evans, Kansas, USA

On June 7, 2019, the Company entered into a farm in agreement with Shelby Resources LLC in the Mount Evans prospect in Kansas. The farm in agreement has a five year term.

Pursuant to the terms of the agreement, the Company will earn a 65% working interest of an 80% net revenue interest by paying US\$75,000, financing a 3D seismic shoot over approximately 5,700 acres at an estimated cost of US\$420,000, and drilling the first well to casing point to a depth of approximately 4,700 feet or the bottom of the Arbuckle Formation for an estimated cost of US\$135,000. Completing and equipping the first well and all operations on subsequent wells will be paid for by the Company proportionate to its 65% working interest. The Area of Mutual Interest is 121 square miles.

**6. EQUITY INSTRUMENTS**

**(a) Share Capital**

**Shares issued during the year ended January 31, 2019**

**SHOAL POINT ENERGY LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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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 nine months ended October 31, 2019**

On August 7, 2019, the Company closed a non-brokered private placement and issued a total of 14,831,250 units for total gross proceeds of \$1,186,500. Each unit, priced at \$0.08 per unit, consisted of one share and one-half share purchase warrant. Each full warrant is exercisable at a strike price of \$0.15 with an expiry on the third anniversary of the date of closing of the transaction. The Company incurred finder’s fees of \$23,640 and share issue costs of \$2,280 associated with the private placement.

During the nine months ended October 31, 2019, the Company issued 400,000 common shares pursuant to exercise of stock options for total gross proceeds of \$24,000. A value of \$15,576 was transferred from contributed surplus to share capital as a result. The share price at the date the stock options were exercised was \$0.165.

**(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.

**(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:

	<b>October 31, 2019</b>		<b>January 31, 2019</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Options outstanding, beginning	3,860,000	\$ 0.24	1,660,000	\$ 1.25
Options granted	1,800,000	\$ 0.12	3,500,000	\$ 0.07
Options cancelled	(250,000)	\$ 0.07	(1,280,000)	\$ 1.07
Options exercised	(400,000)	\$0.06	-	\$ -
Options expired	-	\$ -	(20,000)	\$ 3.75
Options outstanding, ending	5,010,000	\$ 0.22	3,860,000	\$ 0.24
Options exercisable, ending	4,810,000	\$ 0.23	3,310,000	\$ 0.27

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

<b>Weighted average exercise price</b>	<b>Weighted average contractual life</b>	<b>Number of options outstanding</b>
\$0.13	1.79 years	100,000
\$1.25	1.80 years	560,000
\$0.10	2.62 years	500,000
\$0.13	2.79 years	200,000
\$0.07	3.37 years	2,350,000
\$0.07	3.55 years	100,000
\$0.06	3.97 years	200,000
\$0.13	4.80 years	1,000,000
\$0.22	3.38 years	5,010,000

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.

The grant date fair value of share purchase options granted during the nine months ended October 31, 2019 has been estimated using the Black-Scholes Option Pricing Model with the following weighted-average assumptions: market value of underlying stock of \$0.12; risk free rate of 1.40%; expected term of 4.06 years; exercise price of the option of \$0.12 per share; volatility of 193%; and expected future dividends of nil, for a weighted average grant date fair value of \$0.11 per option. 1,500,000 of these stock options vested upon grant, and 150,000 of these stock options vest in two equal instalments every three month thereafter.

During the three and nine months ended October 31, 2019, stock based compensation of \$180,922 and \$211,514 was recognized (2018 – \$7,545 and \$132,164).

**(d) Warrants**

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

	<b>July 31, 2019</b>		<b>January 31, 2019</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Warrants outstanding, beginning	5,260,640	\$ 0.18	2,760,640	\$ 1.25
Warrants issued	7,415,625	0.15	2,500,000	0.06
Warrants outstanding, ending	12,676,265	\$ 0.37	5,260,640	\$ 0.18

**SHOAL POINT ENERGY LTD.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited – Expressed in Canadian Dollars)**  
**FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2019 AND 2018**

At October 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	0.81 <sup>(1)</sup>
\$0.08 - 1.25	235,040	0.99
\$0.08 - 1.25	40,000	1.37
\$0.06	2,500,000	1.37 <sup>(2)</sup>
\$0.15	7,415,625	2.77
	<u>12,676,265</u>	<u>2.07</u>

<sup>(1)</sup> Subsequent to October 31, 2019, 160,000 of these warrants were exercised.

<sup>(2)</sup> Subsequent to October 31, 2019, 125,000 of these warrants were exercised.

**7. 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.

**8. RELATED PARTY TRANSACTIONS**

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

	Three Months October 31		Nine Months October 31	
	2019	2018	2019	2018
Management salaries	\$ 24,391	\$ 33,059	\$ 73,172	\$ 100,937
Professional fees	4,505	2,403	11,517	11,142
Share-based compensation	39,248	812	39,792	88,913
	<u>\$ 68,144</u>	<u>\$ 36,274</u>	<u>\$ 124,481</u>	<u>\$ 200,992</u>

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 6).

Of the 2,500,000 warrants granted during the year ended January 31, 2019, 750,000 warrants were granted to the CEO (Note 6).

**9. 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 period. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued on the exercise of outstanding warrants and options of the Company. As the Company is in a loss position for the three and nine months ended October 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.