Shoal Point Energy Ltd.

Condensed Interim Financial Statements

Three and Six Months Ended July 31, 2014

Expressed in Canadian Dollars - Unaudited

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 interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim 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 financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Mark Jarvis"	"Brian Usher-Jones"
Chairman and Chief Executive Officer	Director

Shoal Point Energy Ltd.
Interim statements of financial position
Expressed in Canadian dollars - unaudited

	Notes	July 31, 2014	January 31, 2014
ASSETS			
Current assets			
Cash		$ 35,169	$ 378,661
Term deposit		650,410	1,000,247
Accounts receivable		23,751	33,929
Prepaid expenses		30,939	14,806
		740,269	1,427,643
Non-current assets			
Reclamation deposits	6	1,000,000	1,000,000
Equipment	7	8,338	9,266
Oil and Natural Gas Properties	8	7,207,480	7,000,000
		8,215,818	8,009,266
TOTAL ASSETS		**$ 8,956,087**	**$ 9,436,909**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities		$ 211,048	$ 264,668
Provision	10	-	25,000
TOTAL LIABILITIES		**211,048**	**289,668**
EQUITY			
Share capital	9	59,096,098	59,096,098
Warrants	9	11,846,433	11,846,433
Contributed surplus	9	3,981,028	3,981,028
Deficit		(66,178,520)	(65,776,318)
TOTAL EQUITY		**8,745,039**	**9,147,241**
TOTAL LIABILITIES AND EQUITY		**$ 8,956,087**	**$ 9,436,909**

Going Concern (Note 1)

Commitments and Contingencies (Note 11)

Subsequent Events (Note 14)

APPROVED BY:
Chairman and CEO *"Mark Jarvis"* **Director** *"Brian Usher-Jones"*

Shoal Point Energy Ltd.
Interim statements of comprehensive loss
Expressed in Canadian dollars - unaudited

	Notes	Three Months July 31		Six Months July 31	
		2014	2013	**2014**	2013
Expenses					
Amortization	**7**	**$ 534**	$ 557	**$ 928**	$ 970
Consulting fees	**12**	**2,188**	164,501	**3,288**	303,634
Directors' fees	**12**	**-**	114,944	**-**	162,194
Legal and audit		**23,522**	80,156	**82,437**	151,430
Management fees	**12**	**72,000**	498,000	**144,000**	638,000
Office, general and administrative		**109,505**	292,282	**175,730**	506,715
Stock-based compensation	**12**	**-**	-	**-**	1,199,805
Loss from operations		**207,749**	1,150,440	**406,383**	2,962,748
Flow-through share premium renunciation		**-**	-	**-**	(385,343)
Interest and other income		**(1,754)**	(22)	**(4,181)**	(13,599)
Net loss and comprehensive loss for the period		**$ (205,995)**	$ (1,150,418)	**$ (402,202)**	$ (2,563,806)
Loss per share					
Basic and fully diluted	**13**	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding	**13**	**469,658,743**	399,281,062	**469,658,743**	391,960,767

Shoal Point Energy Ltd.
Interim statement of changes in equity
Expressed in Canadian dollars - unaudited

	Share capital		Warrants				
	Number of shares	**Amount**	**Number of warrants**	**Amount**	**Contributed Surplus**	**Deficit**	**Amount**
Balance, February 1, 2013	**383,585,180**	$56,169,319	**160,711,156**	10,447,315	$2,780,049	$(28,109,967)	$41,286,716
Shares issued for cash (Note 12)	20,302,223	1,218,133	-	-	-	-	1,218,133
Shares issued for services (Note 12)	10,000,000	640,000	-	-	-	-	640,000
Shares returned to treasury	(1,500,000)	(90,000)	(1,500,000)	-	-	-	(90,000)
Fair value of options granted	-	-	-	-	1,199,805	-	1,199,805
Broker warrants issued (Note 12)	-	(13,990)	584,533	13,993	-	-	3
Warrants issued upon unit financings (Note 12)	-	(414,606)	20,302,223	414,606	-	-	-
Warrants expired	-	-	(23,498,019)	-	-	-	-
Broker warrants expired	-	-	(97,058)	-	-	-	-
Share issuance costs (Note 12)	-	(18,651)	-	-	-	-	(18,651)
Comprehensive loss for the period	-	-	-	-	-	(2,563,806)	(2,563,806)
Balance, July 31, 2013	**412,387,403**	**$57,490,205**	**156,502,835**	**$10,875,914**	**$3,979,854**	**$(30,673,773)**	**$ 41,672,200**

	Share capital		Warrants				
	Number of shares	**Amount**	**Number of warrants**	**Amount**	**Contributed Surplus**	**Deficit**	**Amount**
Balance, February 1, 2014	**469,658,743**	$59,096,098	**187,265,421**	**11,846,433**	$3,981,028	$(65,776,318)	$9,147,241
Shares issued for cash	-	-	-	-	-	-	-
Shares issued for services	-	-	-	-	-	-	-
Fair value of options granted	-	-	-	-	-	-	-
Broker warrants issued	-	-	-	-	-	-	-
Warrants issued upon unit financings	-	-	-	-	-	-	-
Warrants expired	-	-	(94,877,770)	-	-	-	-
Broker warrants expired	-	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-	-
Comprehensive loss for the period	-	-	-	-	-	(402,202)	(402,202)
Balance, July 31, 2014	**469,658,743**	**$59,096,098**	**92,387,651**	**$11,846,433**	**$3,981,028**	**$(66,178,520)**	**$ 8,745,039**

Shoal Point Energy Ltd.
Interim statements of cash flows
Expressed in Canadian dollars - unaudited

	Three Months July 31		Six Months July 31	
	2014	2013	**2014**	2013
Cash flows from operating activities				
Net loss for the period	**$ (205,995)**	$ (1,150,418)	**$ (402,202)**	$(2,563,806)
Adjustments not effecting cash:				
Amortization	**534**	557	**928**	970
Flow-through share premium renunciation	**-**	-	**-**	(385,343)
Stock-based compensation	**-**	-	**-**	1,199,805
Interest income	**(1,754)**	-	**(4,181)**	-
	(207,215)	(1,149,861)	**(405,455)**	(1,748,374)
Changes in non-cash working capital				
Accounts receivable	**5,272**	45,333	**10,178**	2,208
Prepaid expense	**(20,166)**	38,313	**(16,133)**	164,846
Accounts payable and accrued liabilities	**(52,595)**	1,010,190	**(53,620)**	872,637
Provision	**(10,398)**	-	**(25,000)**	-
Cash flows provided by (used in) operating activities	**(285,102)**	(56,025)	**(490,030)**	(708,683)
Cash flows from investing activities				
Purchase of capital assets	**-**	(753)	**-**	(753)
Expenditures on oil and natural gas properties	**(113,313)**	(1,217,519)	**(207,480)**	(3,042,615)
Recoveries from insurance on oil and gas properties	**-**	-	**-**	295,436
Interest income	**1,754**	-	**4,181**	-
Cash flows used in investing activities	**(111,559)**	(1,218,272)	**(203,299)**	(2,747,932)
Cash flows from financing activities				
Issuance of common shares	**-**	1,078,533	**-**	1,128,133
Share issuance costs - cash	**-**	(16,791)	**-**	(18,651)
Repayment of convertible note payable	**-**	(300,000)	**-**	(300,000)
Term deposit	**249,713**	-	**349,837**	-
Cash flows provided by financing activities	**249,713**	761,742	**349,837**	809,482
Net increase in cash	**(146,948)**	(512,555)	**(343,492)**	(2,647,133)
Cash, beginning of period	**182,117**	631,707	**378,661**	2,766,285
Cash, end of period	**$ 35,169**	$ 119,152	**$ 35,169**	$ 119,152

1. Nature and Continuance of Operations

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 1060 – 1090 West Georgia St., Vancouver, B.C. V6E 3V7. On October 26, 2010, the Company filed articles of continuance in Ontario under the name of Shoal Point Energy Inc.

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

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

On October 10, 2012 the Company filed Articles of Amalgamation under the Business Corporations Act (Ontario), whereby the Company was amalgamated with Shoal Point Energy Inc. to form an amalgamated corporation operating under the name of Shoal Point Energy Ltd. (the “Company”). All amounts herein reflect the financial effects of the amalgamation. Comparative figures also reflect the effects of amalgamation.

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. In November of 2013 the Minister of Natural Resources announced applications for hydraulically fracturing wells would be not be accepted which effectively imposed a moratorium. The amounts shown as oil and natural gas properties represent the estimated net recoverable costs, and do not necessarily represent present or future values.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Due to continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. To continue as a going concern, the Company needs to raise the capital necessary to continue in oil and natural gas exploration business and to eventually achieve positive cash flow from operations. In the current economic market, there is no certainty that management will be successful in these efforts. 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.

2. Basis of Preparation

These financial statements were authorized for issue on September 16, 2014 by the directors of the Company.

Statement of compliance with International Financial Reporting Standards

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These statements do not include all of the information and disclosures required by IFRS for annual financial statements.

Basis of preparation

The condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim financial statements are presented in Canadian dollars unless otherwise noted.

Significant 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 assets, the fair value measurements and assumptions relating to financial instruments and stock based transactions, financial instruments, 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.

Accounting Standards Issued but Not Yet Effective

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

2. Basis of Preparation (cont'd)

Accounting Standards Issued but Not Yet Effective (cont'd)

Amendments to IAS 32 "Financial Instruments"

These amendments are intended to help address inconsistencies when applying the offsetting criteria and clarify for financial statement users the effect of offsetting arrangements on an entity's financial position. These amendments are mandatory for accounting periods beginning on or after January 1, 2014.

Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

This addresses the disclosure information around recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments are mandatory for accounting periods beginning on or after January 1, 2014.

New interpretation IFRS 21 "Levies"

This is an interpretation of IAS 37 "Provisions, contingent liabilities and contingent assets". The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRS 21 is effect for annual periods beginning on or after January 1, 2014.

Other

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.

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 and the unwinding of decommissioning liabilities 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 in addition to regular impairment reviews to ensure that they are not carried at amounts above their recoverable values.

3. Significant Accounting Policies (cont'd)

Oil and Natural Gas Properties (exploration and evaluation assets) (cont'd)

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 exploration and evaluation 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% respectively.

Impairment

The carrying amounts of the Company's equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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.

3. Significant Accounting Policies (cont'd)

Accounting for Income Taxes (cont'd)

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 convertible debt, and convertible 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.

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.

3. Significant Accounting Policies (cont'd)

Reclamation Obligation (cont'd)

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 income.

The Company has made, and intends to make in the future, expenditures to comply with such laws and regulations.

Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The fair value of the share component is credited to share capital and the value of the warrant component is credited to 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.

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

Financial Assets and Liabilities

The Company recognizes a financial asset or financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Fair value through profit and loss

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss.

3. Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The Company has classified cash, term deposit, accounts receivable, reclamation deposit and loans receivable as loans and receivables.

Available-for-sale

Financial assets classified as available-for-sale are measured at fair value with any resultant gain or loss being recognized directly in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. When available-for-sale financial assets are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been negatively impacted. Evidence of impairment could include:

- Significant financial difficulty of the issuer or counter party; or
- Default or delinquency in interest or principal payments by the borrower; or
- It becomes probable that the borrower will enter into bankruptcy or financial reorganization.

The carrying amount of the financial asset is directly reduced by any impairment loss.

Other liabilities

Accounts payable and accrued liabilities, and convertible debt are classified as other liabilities at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

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

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

Compound Financial Instruments

The Company allocates the total proceeds received for convertible debt between the debt and equity components of the convertible debt based on the residual method. The fair value of the equity component of the convertible debt is valued as the proceeds less the fair value of the debt element. The fair value of the debt portion is accreted to its face value through interest expense charges over the term of the convertible debt.

3. Significant Accounting Policies (cont'd)

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.

Flow-Through Shares

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a liability ("flow-through premium liability"). Provided that the Company has renounced the related expenditures, the flow-through premium liability is reversed and a deferred tax liability is recognized as the expenditures are incurred. The reduction to the flow-through premium liability is recognized in profit or loss as other income.

To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

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.

4. Financial Instruments

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The Company may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures, of which there are none outstanding as at year end. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

4. Financial Instruments (cont'd)

Liquidity Risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. The Company's main sources of liquidity are cash funds derived from its common stock issuances. These funds are primarily used to finance working capital, operating expenses, capital expenditures, and acquisitions.

The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations, and are all due within one year.

As at July 31, 2014 the Company held cash and term deposits of $685,579 to settle current liabilities of $211,048. The Company's working capital at July 31, 2014 was $529,221.

Interest Rate Risk

Interest rate risk is the risk that the cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash in term deposits at fixed rates of interest.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, accounts receivable and loans receivable. The Company has reduced its credit risk by investing its cash with a Canadian chartered bank.

Fair Value

The carrying values of the Company's financial instruments are considered to be representative of their fair value due to their short-term nature.

5. Capital Management

The Company defines its capital to manage as the components of shareholders' equity which as at July 31, 2014 was $8,745,039 (January 31, 2014 - $9,147,241).

There were no changes in the Company's approach to capital management during the three and six months ended July 31, 2014 and the Company is not subject to any externally imposed capital requirements.

The Company's objectives when managing capital are:

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

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

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

Expressed in Canadian dollars - unaudited

5. Capital Management (cont'd)

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

6. Reclamation Deposit

The reclamation deposit consists of an interest-bearing guaranteed investment certificate that secures a stand-by letter of credit in the amount of $1,000,000 with the Canada-Newfoundland and Labrador Offshore Petroleum Board ("CNLOPB"). The guaranteed investment certificate has a maturity of December 24, 2014, and bears interest at 0.75%. The letter of credit was issued to the CNLOPB for any future environmental remediation work that may be required with respect to the areas covered by exploration license #1070 and #1120.

7. Equipment

	Website	Computer equipment	Computer software	Total
Cost				
Balance at January 31, 2013	$ 6,225	$ 8,685	$ 5,261	$ 20,171
Additions	-	1,592	-	1,592
Balance at January 31, 2014	6,225	10,277	5,261	21,763
Additions	-	-	-	
Balance at July 31, 2014	**$ 6,225**	**$ 10,277**	**$ 5,261**	**$ 21,763**
Accumulated Depreciation				
Balance at January 31, 2013	$ 4,313	$ 3,582	$ 2,437	$ 10,332
Depreciation for the year	381	1,218	566	2,165
Balance at January 31, 2014	$ 4,694	$ 4,800	$ 3,003	$ 12,497
Depreciation for the period	154	548	226	394
Balance at July 31, 2014	**$ 4,848**	**$ 5,348**	**$ 3,229**	**$ 13,425**
Carrying Amounts				
As at January 31, 2013	$ 1,912	$ 5,103	$ 2,824	$ 9,839
As at January 31, 2014	$ 1,531	$ 5,477	$ 2,258	$ 9,266
As at July 31, 2014	**$ 1,377**	**$ 4,929**	**$ 2,032**	**$ 8,338**

Amortization expense of $928 (July 31, 2013 - $970) was recorded in the condensed interim statements of comprehensive loss.

Expressed in Canadian dollars - unaudited

8. Oil and Natural Gas Properties

	Total
Cost	
Balance at January 31, 2013	$ 39,981,798
Additions	1,841,492
Recovery (insurance)	(295,436)
Impairment	(34,527,854)
Balance at January 31, 2014	7,000,000
Additions	207,480
Balance at July 31, 2014	**$ 7,207,480**
Accumulated Depreciation	
Balance at January 31, 2013	$ -
Depreciation for the year	-
Balance at January 31, 2014	$ -
Depreciation for the period	-
Balance at July 31, 2014	**$ -**
Carrying Amounts	
As at January 31, 2013	$ 39,981,798
As at January 31, 2014	$ 7,000,000
As at July 31, 2014	**$ 7,207,480**

The oil and natural gas properties are unproven and consist of offshore Exploration Licenses #1070 and #1120 which are classified as exploration and evaluation assets.

Western Newfoundland

At January 31, 2014 the Company holds a 100% working interest in the Offshore Exploration License #1070 ("EL #1070") Shallow Rights and has the right to earn up to an 80% working interest in the Shallow Rights in the 67,298 acre block in Offshore Exploration License #1120 ("EL #1120").

The Company's working interest in EL #1070 Shallow Rights is subject to a gross overriding royalty to be paid of 1.38% for any monthly extraction and production of petroleum from the areas covered by this exploration license.

In order to earn its working interest in EL #1120, the Company was originally required on or before December 31, 2012, to spud a test well and thereafter drill the test well to assess the petroleum potential of the Green Point formation. At the time that the Company spuds the well, the Company was required to make a payment of $300,000 within two business days of such date. In January 2013, the Company paid cash of $300,000 and issued 500,000 warrants for total fair value consideration of $332,173, to extend the drilling date on which they were required to spud a test well on the Green Point formation from December 31, 2012 to January 15, 2015. As at July 31, 2014, the Company had not earned any working interest in EL #1120.

8. Oil and Natural Gas Properties (cont'd)

The Company agreed to acquire up to a 100% undivided working legal and beneficial interest in and to EL #1097R from NWest Oil & Gas Inc. ("NWest"). A 50% working interest in the license was transferred to the Company on January 16, 2012 (the "First Transfer") in consideration for which the Company issued 1 million common shares to NWest, 1 million common share purchase warrants which entitle the holder to acquire a common share of the Company at a price of $0.40 per a share for a period of two years, and assumption of NWest's obligation to pay the Environmental Studies Research Fund ("ESRF"), to a maximum of $43,404 to the date of the agreement and assume all payments to ESRF from the date thereof. Total consideration paid for the First Transfer amounted to $385,929.

On March 21, 2012 the shareholders of NWest approved the second transfer (the "Second Transfer") of the remaining 50% interest in EL #1097R to the Company. In consideration for this transfer, the Company issued 1,000,000 common shares and 1,000,000 purchase warrants to NWest, with each warrant entitling NWest to acquire one common share at $0.39 for a period of two years from the date of issuance. Total consideration paid for the Second Transfer amounted to $405,807.

If the Company had proceeded to spud a well on the property covered by EL #1097R, it was required to make an additional payment of 4,000,000 common shares to NWest; issue an additional 4,000,000 common share purchase warrants to NWest, where each additional warrant entitles NWest to acquire one common share at an exercise price equal to the 20 day weighted average price of the common shares prior to the date of issuance of the additional payment plus an additional 20% for an exercise period of two years from the date of issuance; and grant to NWest a 2% royalty on the property, with the Company having the right to purchase 0.75% of the royalty for $2,000,000 at any time. A well was required to be spudded on the property by January 15, 2013, for which an extension was given to January 15, 2014 by the Canada-Newfoundland and Labrador Petroleum Board. The $1,000,000 originally deposited with the CNLOPB with respect to EL #1097R was forfeited during the year ended January 31, 2013 as the Company had not spudded a well on the property as required to do so by January 15, 2013. A further $1,000,000 refundable property deposit was made to them during the fiscal year ended January 31, 2013 in order to receive the extension to January 15, 2014.

On December 12, 2013, the Company reported The Canada Newfoundland Labrador Offshore Petroleum Board (C-NLOPB) had rejected the Company's application to extend part of exploration license 1097R (EL 1097R) until Jan. 15, 2015. As a result, the company lost the license and recorded an impairment loss of $2,791,732 inclusive of the two forfeited $1,000,000 property deposits.

Shoal Point currently has one exploration license and farm-in rights to a second contiguous exploration license off the west coast of Newfoundland which total approximately 220,000 acres contained in EL 1070 and EL 1120. In November of 2013 the Minister of Natural Resources announced applications for hydraulically fracturing wells would be not be accepted which effectively imposed a moratorium. The Green Point Shale is covered under both EL 1070 and EL 1120 and will likely require hydraulic fracturing to achieve commercial production. The moratorium has brought exploration activity on Shoal Point Energy's Exploration Licences to a standstill. As a result, the Company has recorded an impairment of $31,736,122 to reduce the carrying value to an estimated net realizable amount of $7,000,000 as at January 31, 2014.

8. Oil and Natural Gas Properties (cont'd)

In December 2012, the Company signed a Letter of Intent regarding a proposed transaction between the Company, and Foothills Capital Corp. ("FCC") and its subsidiaries, Black Spruce Exploration Corp. ("BSE"), and Foothills North West Holdings Corp. ("FNW"). BSE and FNW entered into Definitive Agreements with the Company on January 11, 2013, whereby (1) FNW would participate in the Company's January 2013 private placement for 35 million units at a price of $0.06 per unit (representing a $2.1 million investment) where each unit consists of a common share of the Company and a common share purchase warrant exercisable for 18 months from the date of issuance at a price of $0.15 per common share, and (2) BSE executed a farm-in agreement giving it the right to earn up to a 60% interest of the Company's interests in its three Offshore Exploration Licenses #1070 and #1120. The earn-in will occur by a staged work program whereby BSE can earn incremental components of interest by drilling on the Company's lands as follows:

Phase I Earning (2013-2014): During this phase BSE will pay 100% of the costs of drilling, testing and completing four wells on the Company's two Offshore Exploration Licenses #1070 and #1120, to earn BSE a 50% interest of the Company's interest in these two Offshore Exploration Licenses. As of July 31, 2014, BSE has not earned any interest in either of the two licenses.

Phase II Earning (2014-2015): During this phase BSE will pay 100% of the costs of drilling, testing and completing up to eight wells to earn up to an additional 10% of the Company's interest in these two Offshore Exploration Licenses.

9. Equity Instruments

(a) Share Capital

Shares issued during year ended January 31, 2014

(i) In February 2013, the Company completed a private placement of 576,667 units at a price of $0.06 per unit for aggregate proceeds of $34,600. Each unit consisted of one common share and one common share purchase warrant where a warrant entitles the holder to acquire one additional share at a price of $0.15 for 18 months. In connection with this financing, the Company paid cash commissions of $1,860 and issued 43,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.10 for a period of 18 months valued at $1,839.

(ii) In March 2013, the Company issued 250,000 units at a price of $0.06 per unit for aggregate proceeds of $15,000. Each unit consisted of one common share and one common share purchase warrant where a warrant entitles the holder to acquire one additional share at a price of $0.15 for a period of 18 months valued at $4,608.

(iii) On April 17, 2013, the Company settled $100,000 of trade payables by issuing 1,000,000 common shares.

(iv) In June 2013, the Company issued 19,475,556 units at a price of $0.06 per unit for aggregate proceeds of $1,168,533. Each unit consisted of one common share and one common share purchase warrant where a warrant entitles the holder to acquire one additional share at a price of $0.15 for a period of 24 months valued at $297,221. In connection with this financing, the Company paid cash commissions of $16,791 and issued 541,533 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.10 for a period of 18 months valued at $12,153.

9. Equity Instruments (cont'd)

(a) Share Capital (cont'd)

Shares issued during year ended January 31, 2014 (cont'd)

(v) On June 25, 2013, the Company settled $540,000 of trade payables by issuing 9,000,000 common shares of the Company.

(vi) In September 2013, the Company issued 41,717,840 units at a price of $0.05 per unit for gross proceeds of $2,085,892 of which 38,717,840 units consisted of one common share and one common share purchase warrant where a warrant entitles the holder to acquire one additional share at a price of $0.06 for a period of 24 months and 3,000,000 flow-through units consisting of one common share and one half common share purchase warrant where a full warrant entitles the holder to acquire one additional share at a price of $0.06 for a period of 24 months. The flow-through premium was determined to be nominal. In connection with this financing, the Company paid cash commissions of $93,959 and issued 1,879,178 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.06 for a period of 24 months valued at $51,552.

(vii) In October 2013, the Company issued 15,553,500 units at a price of $0.05 per unit for gross proceeds of $777,675. Each unit consisted of one common share and one common share purchase warrant where a full warrant entitles the holder to acquire one additional share at a price of $0.06 for a period of 24 months. In connection with this financing, the Company paid cash commissions of $43,709 and issued 861,210 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.06 for a period of 24 months valued at $23,628.

Shares issued during the six months ended July 31, 2014

There were no share issuances during the six months ended July 31, 2014.

(b) 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.

Expressed in Canadian dollars - unaudited

9. Equity Instruments (cont'd)

(b) Stock option plan and stock-based compensation (cont'd)

The following table summarizes information concerning the Company's stock options outstanding as at July 31, 2014 and January 31, 2014:

	Six months ended July 31, 2014		Year ended January 31, 2014	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning	2,250,000	$ 0.23	13,000,000	$ 0.28
Options granted	-	-	18,500,000	0.15
Options exercised	-	-	-	-
Options expired	(500,000)	0.40	(29,250,000)	0.20
Options outstanding, ending	1,750,000	$ 0.18	2,250,000	$ 0.23
Options exercisable, ending	1,750,000	$ 0.18	2,250,000	$ 0.23

Details of options outstanding as at July 31, 2014 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
$0.15	3.62 years	1,250,000
$0.25	1.25 years	500,000
$0.18		1,750,000

Stock-based compensation

There were no stock options granted during the six months ended July 31, 2014. The weighted average grant date fair value of the 18,500,000 options granted during the six month period ended July 31, 2013 was $1,199,805 or $0.06 per option. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	Six months ended July 31, 2014	Six months ended July 31, 2013
Expected life of options	-	5.00 years
Annualized volatility	-	100%
Risk-free interest rate	-	1.37%
Dividend rate	-	0%

Expressed in Canadian dollars - unaudited

9. Equity Instruments (cont'd)

Warrants

On exercise, each warrant allows the holder to purchase one common share of the Company. The changes in warrants outstanding during the six months ended July 31, 2014 and year ended January 31, 2014 are as follows:

	Six months ended July 31, 2014			Year ended January 31, 2014		
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Warrants outstanding, beginning	187,265,421	$	0.12	160,711,156	$	0.24
Warrants issued	-		-	79,398,484		0.08
Warrants exercised	-		-	-		-
Warrants expired	(94,877,770)		0.15	(52,844,219)		0.34
Warrants outstanding, ending	92,387,651	$	0.09	187,265,421	$	0.12

At July 31, 2014 and January 31, 2014, all warrants outstanding were exercisable.

Details of warrants outstanding as at July 31, 2014 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of warrants outstanding
$0.06	1.18 years	58,511,728
$0.10	0.38 years	541,533
$0.15	0.56 years	33,334,390
$0.09		92,387,651

10. Provision

The provision of $25,000 as at January 31, 2014 relate to costs expected to be incurred in fiscal 2015 with respect to the site clean-up and end of well report for the Company's 3K-39 oil well located on areas covered by EL #1070. The end of well report for the 3K-39Z was delivered to the C-NLOPB on July 23, 2014 and the end of well report for the 3K-39 was delivered subsequent to the quarter on August 21, 2014. As of July 31, 2014, the Company has spent the $25,000 provision and no further provision is required.

11. Commitments and Contingencies

Please refer to note 8 for the Company's commitments with respect to its oil and natural gas property.

The Company was named as a defendant in a $3,414,000 lawsuit relating to the NWest transactions (see note 8) by a third party relating to certain provisions made between NWest and this third party. Management believes the claim to be frivolous towards the Company and without merit. No loss provision has been recorded as a result.

Expressed in Canadian dollars - unaudited

11. Commitments and Contingencies (cont'd)

On June 26, 2013 the Company announced a debt settlement with the designated operator of the 3K-39 well by issuing 9 million common shares at a value of $540,000. Current management became aware that the Canada Revenue Agency ("CRA") had issued three Requirements to Pay orders in the amount of $791,000 which require the Company to pay any monies owing to this operator directly to CRA. The Company contacted CRA to disclose this debt settlement agreement and provided them with the associated documentation. At July 31, 2014, there has been no assessments issued by CRA and no amounts have been recorded as payable to the CRA.

As of July 31, 2014, the Company has fulfilled its requirement to spend the monies raised on its flow-through share financings on qualified exploration expenditures.

12. Related Party Transactions

	Six months ended	
	July 31, 2014	July 31, 2013
Consulting fees	$ -	$ 140,000
Director fees	-	162,194
Management fees	144,000	638,000
Stock-based compensation	-	526,704
	$ 144,000	$ 1,466,898

13. Basic and Diluted Loss Per Share

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of 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, and upon conversion of the convertible debt. As the Company is in a loss position for the six months ended July 31, 2014 and 2013, the inclusion of options, warrants and convertible debt in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

14. Subsequent Events

In August 2014, the Company granted 43,000,000 stock options at an exercise price of $0.05 per share until August 19, 2021. The stock options vest over a period of two years.