SHOAL POINT ENERGY LTD.
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED OCTOBER 31, 2016 AND 2015

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 condensed 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 Professional Accountants for a review of interim financial statements by an entity's auditor.

"Brian Usher-Jones"	"Mark Jarvis"
Director	CEO, Chairman and Director

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

	October 31, 2016	January31, 2016
ASSETS		
CURRENT		
Cash	**$ 138,378**	$ 80,142
Term Deposit	**486,000**	-
Reclamation Deposit (Note 5)	**-**	1,000,000
Accounts receivable	**8,102**	4,697
Prepaid expenses	**26,272**	9,950
	658,752	1,094,789
RECLAMATION DEPOSIT (Note 5)	**50,000**	-
OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT (Note 6)	**7,544,985**	7,445,299
	$ 8,253,737	$ 8,540,088
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 95,716**	$ 63,019
	95,716	63,019
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**59,444,279**	59,440,429
Subscriptions received (Note 7)	**-**	5,000
Warrants (Note 7)	**11,876,223**	11,876,223
Contributed surplus	**4,403,988**	4,365,221
Deficit	**(67,566,469)**	(67,209,804)
	8,158,021	8,477,069
	$ 8,253,737	$ 8,540,088

GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENCIES (Note 8)

Approved on behalf of the board:

"Brian Usher-Jones"
Director

"Mark Jarvis"
CEO, Chairman and Director

SHOAL POINT ENERGY LTD.
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED OCTOBER 31, 2016 AND 2015
(Expressed in Canadian Dollars - Unaudited)

	Notes	Three Months October 31 2016	Three Months October 31 2015	Nine Months October 31 2016	Nine Months October 31 2015
Expenses					
Amortization	6	$ 574	$ 845	$ 1,448	$ 2,387
Consulting fees		-	-	-	897
Legal and audit		16,048	10,964	34,186	47,024
Management salaries	9	50,400	50,400	151,200	157,800
Office, general and administrative		40,182	50,725	133,937	177,968
Stock-based compensation	9	3,665	25,083	38,767	129,906
Loss from operations		110,869	138,017	359,538	515,982
Write-off old payables		-	-	-	(182,663)
Interest and other income		(753)	(17)	(2,873)	(51)
Net loss and comprehensive loss for the period		$ (110,116)	$ (138,000)	$ (356,665)	$ (333,268)
Loss per share					
Basic and fully diluted	10	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding	10	544,158,743	524,014,982	544,001,809	492,872,547

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

SHOAL POINT ENERGY LTD.
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars - Unaudited)

	Share capital			Warrants				
	Number of shares	**Amount**	**Subscriptions Received**	**Number of warrants**	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
Balance, January 31, 2015	**477,158,743**	$59,133,598	$ -	85,487,284	$11,867,999	$4,217,571	$ (66,745,408)	$ 8,473,760
Private placement (Note 7)	66,000,000	315,178	-	68,016,000	-	-	-	315,178
Stock-based compensation (Note 7)	-	-	-	-	-	129,906	-	129,906
Warrants expired	-	-	-	(77,987,284)	-	-	-	-
Comprehensive loss for the period	-	-	-	-	-	-	(333,268)	(333,268)
Balance, October 31, 2015	543,158,743	59,448,776	-	75,516,000	11,867,999	4,347,477	(67,078,676)	8,585,576
Balance, January 31, 2016	543,158,743	59,440,429	5,000	75,516,000	11,876,223	4,365,221	(67,209,804)	8,477,069
Shares issued for cash (Note 7)	1,000,000	3,850	(5,000)	-	-	-	-	(1,150)
Warrants issued (Note 7)	-	-	-	1,000,000	-	-	-	-
Stock-based compensation (Note 7)	-	-	-	-	-	38,767	-	38,767
Warrants expired	-	-	-	(7,500,000)	-	-	-	-
Comprehensive loss for the period	-	-	-	-	-	-	(356,665)	(356,665)
Balance, October 31, 2016	544,158,743	$59,444,279	$ -	69,016,000	$11,876,223	$4,403,988	$ (67,566,472)	$8,158,021

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

SHOAL POINT ENERGY LTD.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED OCTOBER 31, 2016 AND 2015
(Expressed in Canadian Dollars - Unaudited)

	Three Months October 31		Nine Months October 31	
	2016	2015	**2016**	2015
Cash flows from operating activities				
Net loss for the period	**$ (110,116)**	$ (138,000)	**$ (356,665)**	$ (333,268)
Adjustments not effecting cash:				
Amortization	**574**	845	**1,448**	2,387
Stock-based compensation	**3,665**	25,083	**38,767**	129,906
Interest income	**(753)**	(17)	**(2,873)**	(51)
	(106,630)	(112,089)	**(319,323)**	(201,026)
Changes in non-cash working capital				
Accounts receivable	**(1,833)**	(1,187)	**(3,405)**	2,341
Prepaid expense	**11,893**	7,462	**(16,322)**	(8,525)
Reclamation deposit	**-**	-	**1,000,000**	-
Accounts payable and accrued liabilities	**(6,507)**	1,143	**32,697**	(186,887)
Cash flows provided by (used in) operating activities	**(103,077)**	(104,671)	**693,647**	(394,097)
Cash flows from investing activities				
Purchase of capital assets	**(1,830)**	-	**(1,830)**	(3,423)
Expenditures on oil and natural gas properties	**(15,599)**	(26,973)	**(99,304)**	(51,152)
Reclamation deposit	**(50,000)**	-	**(50,000)**	-
Interest income	**753**	17	**2,873**	51
Cash flows used in investing activities	**(66,676)**	(26,956)	**(148,261)**	(54,524)
Cash flows from financing activities				
Issuance of common shares	**-**	335,000	**5,000**	335,000
Share issue costs	**-**	(14,822)	**(1,150)**	(14,822)
Subscriptions received	**-**	(55,000)	**(5,000)**	-
Term deposit	**200,000**	-	**(486,000)**	-
Cash flows provided by financing activities	**200,000**	265,178	**(487,150)**	320,178
Net increase (decrease) in cash	**30,247**	133,551	**58,236**	(128,443)
Cash, beginning of period	**108,131**	61,077	**80,142**	323,071
Cash, end of period	**$ 138,378**	$ 194,628	**$ 138,378**	$ 194,628

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

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. V6C 1G8. On October 26, 2010, the Company filed articles of continuance in Ontario. On November 23, 2010, the Company began trading on the CNSX (now the CSE) under the symbol SHP.

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 that applications for hydraulically fracturing wells would be not be accepted which effectively imposed a moratorium. These properties will likely require hydraulic fracturing to achieve commercial production. 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. The Company is disappointed in the report, which recommends, among other things, significant further study before hydraulic fracturing could be considered. The Company is communicating with personnel in the provincial Department of Natural Resources, who have now been tasked with evaluating the report and reporting to the Minister.

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 eighteen months with existing cash. 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 sometime in fiscal year 2018. 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

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.

These financial statements were authorized for issue by the board of directors on December 20, 2016.

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. These financial statements are presented in Canadian dollars unless otherwise noted.

Functional and Presentation Currency

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

2. BASIS OF PRESENTATION (cont'd)

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.

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 exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 amount 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 and the reclamation deposit 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

Trade payables 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FINANCIAL INSTRUMENTS (cont'd)

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.

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.

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 STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standard IFRS 9 "Financial Instruments" 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. The Company is currently assessing the impact this new standard will have on its consolidated financial statements.

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 Company has not yet assessed the future impact of this new standard on its 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 consolidated 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:

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 year and no restrictions.

(Expressed in Canadian Dollars - Unaudited)

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

Classification of financial instruments

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

	October 31, 2016	January 31, 2016
Loans and receivables:		
Cash	$ 138,378	$ 80,142
Term deposit	486,000	$ 80,142
Reclamation deposit	-	1,000,000
	$ 624,378	$ 1,080,142

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

	October 31, 2016	January 31, 2016
Non-derivative financial liabilities:		
Trade payables	$ 95,716	$ 63,019

Fair value

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

5. RECLAMATION DEPOSIT

The reclamation deposit consisted of an interest-bearing guaranteed investment certificate that secured a stand-by letter of credit in the amount of $1,000,000 with the Canada-Newfoundland and Labrador Offshore Petroleum Board ("C-NLOPB"). The guaranteed investment certificate had a maturity of December 24, 2016, and bore interest at 0.40%. The letter of credit was issued to the C-NLOPB for any future environmental remediation work that may be required with respect to the areas covered by exploration license #1070.

In March 2016, the C-NLOPB returned the stand-by letter of credit in the amount of $1,000,000 to the Company as a result of the new financial responsibility regime taking effect on February 26, 2016. In August 2016, the Company filed financial documents under the new regime with the C-NLOPB and posted a new stand-by letter of credit of $50,000.

6. OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT

	Oil and natural gas properties	Equipment and Software	Total
Cost			
Balance at January 31, 2015	$ 7,371,214	$ 21,763	$ 7,392,977
Additions	66,624	3,423	70,047
Balance at January 31, 2016	7,437,838	25,186	7,463,024
Additions	99,304	1,830	101,134
Balance at October 31, 2016	$ 7,537,142	$ 27,016	$ 7,564,158

(Expressed in Canadian Dollars - Unaudited)

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

Accumulated Depreciation			
Balance at January 31, 2015	$ -	$ 14,493	$ 14,493
Depreciation for the year	-	3,232	3,232
Balance at January 31, 2016	-	17,725	17,725
Depreciation for the period	-	1,448	1,448
Balance at October 31, 2016	$ -	$ 19,173	$ 19,173
Carrying Amounts			
As at January 31, 2016	$ 7,437,838	$ 7,461	$ 7,445,299
As at October 31, 2016	$ 7,537,142	$ 7,843	$ 7,544,985

The Company currently has 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 be not be accepted which effectively imposed a moratorium. The EL 1070 will likely require hydraulic fracturing to achieve commercial production. 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 the Company is reviewing the results and the impact it will have going forward. If the moratorium is not lifted, the property will be subject to an impairment review. As of October 31, 2016, the carrying value of EL 1070 and equipment was $7,544,985 (January 31, 2016 - $7,445,299).

7. EQUITY INSTRUMENTS

(a) Share Capital

Shares issued during nine months ended October 31, 2016

(i) In March 2016, the Company issued 1,000,000 units at a price of $0.005 per unit for gross proceeds of $5,000. 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 $0.05 for a period of 5 years.

Shares issued during year ended January 31, 2016

(i) In August 2015, the Company issued 60,400,000 units at a price of $0.005 per unit for gross proceeds of $302,000. 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 $0.05 for a period of 5 years. In connection with this financing, the Company paid cash commissions of $8,700 and issued 1,740,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.05 for a period of 1 year. The broker warrants were valued at $7,113 using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.005; risk free rate of 0.72%; expected term of 5.00 years; exercise price of the option of $0.05 per share; volatility of 164%; and expected future dividends of nil.

(ii) In October 2015, the Company issued 5,600,000 units at a price of $0.005 per unit for gross proceeds of $28,000. 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 $0.05 for a period of 5 years. In connection with this financing, the Company paid cash commissions of $1,380 and issued 276,000 broker warrants where each broker warrant entitles the holder to acquire one additional common share at a price of $0.05 for a period of 1 year. The broker warrants were valued at $1,111 using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.005; risk free rate of 0.82%; expected term of 5.00 years; exercise price of the option of $0.05 per share; volatility of 161%; and expected future dividends of nil. Other share issue costs in connection with the 2016 private placements totalled $4,865.

(Expressed in Canadian Dollars - Unaudited)

7. EQUITY INSTRUMENTS (cont'd)

(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.

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

	October 31, 2016		January 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	43,500,000	$ 0.05	43,500,000	$ 0.05
Options granted	-	-	-	-
Options expired	-	-	-	-
Options outstanding, ending	43,500,000	$ 0.05	43,500,000	$ 0.05
Options exercisable, ending	43,500,000	$ 0.05	29,666,667	$ 0.05

Details of options outstanding as at October 31, 2016 are as follows:

Average exercise price	Average contractual life	Number of options outstanding
$0.15	1.36 years	500,000
$0.05	4.80 years	43,000,000
$0.05		43,500,000

The grant date fair value of share purchase options granted during the year ended January 31, 2015 of $422,960 has been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.01; risk free rate of 1.52%; expected term of 5.79 years; exercise price of the option of $0.05 per share; volatility of 221%; and expected future dividends of nil, for a weighted average grant date fair value of $0.0098 per option. One third of the options vested on the grant date, one third vests one year after the grant date, and one third vest two years after the grant date. During the nine months ended October 31, 2016, stock based compensation of $38,767 was recognized (October 31, 2015 – $129,906).

(c) Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the nine months ended October 31, 2016:

	October 31, 2016		January 31, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	75,516,000	$ 0.05	85,487,284	$ 0.08
Warrants issued	1,000,000	0.05	68,016,000	0.05
Warrants expired	(7,500,000)	0.05	(77,987,284)	0.08
Warrants outstanding, ending	69,016,000	$ 0.05	75,516,000	$ 0.05

During the year ended January 31, 2016, there were 541,533 broker's warrants that expired at $0.10 and 2,740,388 broker's warrants that expired at $0.05.

(Expressed in Canadian Dollars - Unaudited)

7. EQUITY INSTRUMENTS (cont'd)

(c) Warrants (cont'd)

All warrants issued during the period and warrants outstanding as at October 31, 2016 vested on the grant date. The warrants entitle the holders to purchase the stated number of common shares at the exercise price on or before the expiry date. At October 31, 2016, the following warrants were outstanding:

Exercise price	Number outstanding	Average remaining contractual life (in years)
$0.05	62,140,000	3.81
$0.05	5,876,000	3.99
$0.05	1,000,000	4.37
	69,016,000	

8. 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.

In February 2015, Irwin Lowy LLP filed a claim against the Company for $66,469 for unpaid legal services. The company is contesting this amount and filed a counter-claim along with a statement of defense which seeks an offset of this amount. No loss provision has been recorded as a result.

9. RELATED PARTY TRANSACTIONS

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

	October 31, 2016	October 31, 2015
Management salaries	$ 151,200	$ 157,800
Stock-based compensation	22,539	75,527
	$ 173,739	$ 233,327

10. 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 nine months ended October 31, 2016 and 2015, 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.