Shoal Point Energy Ltd.

Suite 203 – 700 West Pender Street
Vancouver, B.C. V6C 1G8

Annual Management Discussion and Analysis

For The Year Ended

January 31, 2017

The following Management Discussion and Analysis of Shoal Point Energy Ltd. ("Shoal Point" or the "Company") was prepared as of May 23, 2017 and should be read in conjunction with the annual audited financial statements for the year ended January 31, 2017. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information relating to the Company may be found on SEDAR at www.sedar.com, and on the Company's website at www.shoalpointenergy.com

Caution Regarding Forward Looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of oil and natural gas; success of exploration activities; cost and timing of future exploration and development; the estimation of oil and natural reserves and resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to:

- *The Company's goal of creating shareholder value by concentrating on the acquisition and development of properties that have the potential to contain economic resources;*
- *Management's assessment of future plans for the Green Point oil-in-shale, Newfoundland, Canada.*
- *Management's economic outlook regarding future trends;*
- *The Company's ability to meet its working capital needs at the current level in the short term;*
- *Expectations with respect to raising capital;*
- *Sensitivity analysis on financial instruments may vary from amounts disclosed; and*
- *Governmental regulation and environmental liability.*

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, *other factors could also cause materially different results. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

Company Profile

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's administrative office eat suite 203 – 700 West Pender Street, 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. ("Shoal Point", "SPE" or the "Company"). On November 23, 2010, the Company began trading on the CNSX under the symbol SHP. In January 2014, the Canadian National Stock Exchange changed its name to the Canadian Securities Exchange ("CSE").

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.

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." ("Shoal Point", "SPE" or the "Company"). All amounts herein reflect the financial effects of the amalgamation. Comparative figures also reflect the effects of amalgamation.

Exploration Activities and Outlook

On June 12, 2014, the Company issued an updated NI 51-101 compliant resource estimate, with an effective date of March 31, 2014, and is available on the Company web site at www.shoalpointenergy.com. The report will also be available on SEDAR at www.sedar.com.

The following table contains estimates of Total Undiscovered Petroleum Initially in Place (PIIP) and estimates of Prospective (Recoverable) Resources contained in the Humber Arm Allochthon formation within the Exploration License that Shoal Point Energy has rights to in western Newfoundland:

Resource Class	Gross			Working Interest		
	Low MMstb	Best MMstb	High MMstb	Low MMstb	Best MMstb	High MMstb
Cumulative Production	0	0	0	0	0	0
Remaining reserves	0	0	0	0	0	0
Surface loss/shrinkage	0	0	0	0	0	0
Total Commercial	0	0	0	0	0	0
Contingent resources	0	0	0	0	0	0
Unrecoverable	0	0	0	0	0	0
Total sub-commercial	0	0	0	0	0	0
Total discovered PIIP	0	0	0	0	0	0
Prospective resources	177.3	428.4	908.6	177.3	428.4	908.6
Unrecoverable	2,874.5	6,119.7	10,889.7	2,874.5	6,119.7	10,889.7
Total undiscovered PIIP	3,051.8	6,548.1	11,798.3	3,051.8	6,548.1	11,798.3
Total PIIP	3,051.8	6,548.1	11,798.3	3,051.8	6,548.1	11,798.3

Prospective resources are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity. Prospective resources have both an associated chance of discovery (geological chance of success) and a chance of development (economic, regulatory, market, facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. The Province of Newfoundland and Labrador currently has a moratorium on hydraulic fracturing in place. The prospective resource estimates referred to herein have not been risked for either the chance of discovery or the chance of development. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

The Low Estimate represents the P_{90} values from the probabilistic analysis (i.e. the value is greater than or equal to the P_{90} value 90% of the time), while the Best Estimate represents the P_{50} values and the High Estimate represents the P_{10}. Actual resources may be greater or less than those calculated.

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. Our property 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 planning to submit a planning document to the regulators in Newfoundland and Labrador that does not involve hydraulic fracturing to achieve production. The planning document will be the first step of a process of applying for an operations authorization to drill and test a well in Exploration Licence 1070 (‘EL 1070”).

Management of Shoal Point Energy continues to believe EL 1070 in Western Newfoundland represents a tremendous economic opportunity for the shareholders of the Company. The Humber Arm Allochthon also represents an opportunity for the people of Western Newfoundland to develop a significant oil industry that will create jobs and generate revenues for the government from both royalties and taxes.

The environmental and economic aspects of hydraulic fracturing have been extensively studied in many different jurisdictions. Two jurisdictions which recently decided to allow hydraulic fracturing after extensive studies are Great Britain and California.

Operations Update

Shoal Point Energy holds tenure in EL 1070 by virtue of its “diligent pursuit” of well 3K-39. The Canada Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB), in a letter to then partner Black Spruce Exploration Corp. dated April 12, 2013, extended the target date for recommencing operations on EL 1070 until a reasonable time period following the completion of the regulatory approval process. On July 23, 2014 the Company delivered the end of well report for the 3K-39Z to the C-NLOPB and delivered the end of well report for the 3K-39 on August 21, 2014. The Company continues to provide regular activity updates to the C-NLOPB.

Overall Performance

As at January 31, 2017, the Company’s cash and cash equivalents position decreased to $472,273 from $1,080,142 as a direct result from funding operations and oil and natural gas expenditures. The Company will continue to focus on the maintenance of its interest in EL 1070.

The Company relies on equity financings to fund its operations, for the year ended January 31, 2017 there were 1,000,000 units issued for net proceeds of $3,850. At January 31, 2017, the Company’s working capital was $494,647.

Selected Annual Information in $CDN

	Jan 31 2017	Jan 31 2016	Jan 31 2015
Total Revenues	0	0	0
Loss and comprehensive loss	$ (428,430)	$ (464,396)	$ (969,090)
Loss per share	(0.00)	(0.00)	(0.00)
Total Assets	8,106,619	8,540,088	8,716,979
Total Liabilities	20,363	63,019	243,219
Oil and Natural Gas Properties written off in year	-	-	-

Results of Operations

During the year ended January 31, 2017, the Company recorded a net loss and comprehensive loss of $428,340 ($0.00 per common share) compared to a net loss of $464,396 ($0.00 per common share) for the year ended January 31, 2016. During the years ended January 31, 2017 and 2016, the Company had no revenues from operations but received $3,348 from interest and other income (January 31, 2016 - $8,062), wrote off $26,868 in old payables (January 31, 2016 - $182,663) and had a loss on the writing off of equipment of $3,659 (January 31, 2016 - $Nil),

Overall, excluding equipment impairment, stock-based compensation and depreciation, the loss from operations for the year ended January 31, 2017 was $414,361 compared to the loss of $504,239 for the year ended January 31, 2016.

Consulting fees

Consulting fees decreased by $1,685 to $Nil during the year ended January 31, 2017 in comparison to consulting fees of $1,685 for the year ended January 31, 2016.

Management salaries

Management salaries decreased by $6,600 to $201,600 for the year ended January 31, 2017 in comparison to $208,200 for the fiscal year ending January 31, 2016.

Office, general and administrative

Office, general and administrative expenses were down $57,780 to $111,992 for the year ending January 31, 2017 from $169,772 for the year ending January 31, 2016.

Professional fees

Professional fees decreased by $21,230 to $48,140 for the year ended January 31, 2017 in comparison to $69,370 for the year ending January 31, 2016.

Rent expense

Rent expense decreased by $2,583 to $52,629 for the year ending January 31, 2017 as compared to $55,212 for the year ending January 31, 2016 primarily from maintaining a shared office in both St. John’s and Vancouver.

Stock-based compensation

Stock-based compensation expenses decreased $108,883 to $38,767 for the year ending January 31, 2017 from $147,650 for the year ending January 31, 2016.

Summary of Quarterly Results

Quarterly Financial Information (unaudited)

For the three months ended		January 31, 2017		October 31, 2016		July 31, 2016		April 30, 2016
Net Income (loss) (in thousands)	$	(71)	$	(110)	$	(127)	$	(120)
Net Income (loss) per share (Basic & Fully Diluted)	$	(0.00)	$	(0.00)	$	(0.00)	$	(0.00)
Total Assets (in thousands)	$	8,107	$	8,254	$	8,367	$	8,426
Shareholders' equity (in thousands)	$	8,086	$	8,158	$	8,264	$	8,373

For the three months ended		January 31, 2016		October 31, 2015		July 31, 2015		April 30, 2015
Net Income (loss) (in thousands)	$	(131)	$	(138)	$	(76)	$	(119)
Net Income (loss) per share (Basic & Fully Diluted)	$	(0.00)	$	(0.00)	$	(0.00)	$	(0.00)
Total Assets (in thousands)	$	8,540	$	8,647	$	8,494	$	8,588
Shareholders' equity (in thousands)	$	8,477	$	8,591	$	8,438	$	8,400

Liquidity

As of January 31, 2017, the Company had cash and cash equivalents of $472,273, current assets of $515,010, current liabilities of $20,363 and positive working capital of $494,647.

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 new regulations taking effect on February 26, 2016. The Company posted a $50,000 deposit with the Department of Natural Resources of Newfoundland and Labrador in August 2016 as part of the new financial responsibility regime.

Capital Resources

The Company relies primarily on equity financing to fund its working capital needs. The Company does not have sufficient working capital for the next twelve months for administration expenses and will need to raise funds through private placements.

As at January 31, 2017, the Company's share capital was $59,444,279 (January 31, 2016 - $59,440,429) representing 544,158,743 (January 31, 2016 – 543,158,743) issued and outstanding common shares without par value. As at January 31, 2017, the Company had 69,016,000 (January 31, 2016 – 75,516,000) warrants outstanding exercisable at varying prices (see note 7 of the annual financial statements).

The Company's deficit was $67,638,234 as at January 31, 2017 (January 31, 2016 - $67,209,804).

If there are changes to the Company's operations or exploration of its oil and natural gas properties that would exhaust the existing cash, the Company will need to sell additional securities in its capital stock. If this occurs, existing shareholders will experience a dilution of their equity interest in the Company.

Off-Balance Sheet Transactions

The Company has no off balance sheet transactions.

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 $66,469.25 for unpaid legal services (see note 8). The company is contesting this amount and filed a counter-claim along with a statement of defense which offsets this amount. No loss provision has been recorded as a result.

Sublease obligations

Sublease obligations relate to the Company's rent of office space. The term of the lease expires on March 31, 2019. A schedule of the Company's minimum lease payments is as follows:

	Year ended	
	January 31, 2017	**January 31, 2016**
Payable not later than one year	$ 53,159	$ -
Payable later than one year and not later than five years	79,738	-
	$ 132,897	$ -

Related party transactions

	Year ended	
	January 31, 2017	**January 31, 2016**
Management salaries	$ 201,600	$ 208,200
Stock-based compensation	22,539	85,843
	$ 224,139	$ 294,043

Fourth Quarter

Oil and natural gas properties and equipment costs for the fourth quarter of fiscal 2017 were $19,972, up from the $15,599 expended in the third quarter of fiscal 2017, and up from the $15,472 expended in the fourth quarter of fiscal 2016. We also recovered $20,340 subsequent to year end for environmental research fund costs associated with holding EL 1070.

Excluding equipment impairment, depreciation and stock based compensation, there were $95,038 of administrative expenses during the fourth quarter of fiscal 2017; these expenses were down from the $110,869 expended in the third quarter of fiscal 2017 and down from the $120,550 expended in the fourth quarter of fiscal 2016.

Proposed Transactions

N/A

Critical Accounting Estimates

As at January 31, 2017, the Company's financial statements reflect "Oil and Natural Gas Properties and Equipment" with a balance of $7,541,609. The recoverability of this amount is dependent upon the discovery of economically recoverable reserves, and the ability to attain future profitable production from those reserves, or from their successful disposition. The Company has not determined if its properties contain oil and gas reserves that are economically recoverable.

Income taxes

Preparation of the consolidated financial statements involves determining an estimate of, or provision for, income taxes. The process also involves making an estimate of taxes currently payable and taxes expected to be payable or recoverable in future periods, referred to as deferred taxes. Deferred taxes result from the effects of temporary differences due to items that are treated differently for tax and accounting purposes. The tax effects of these differences are reflected in the consolidated balance sheet as deferred tax assets and liabilities. An assessment must also be made to determine the likelihood that the Company's future taxable income will be sufficient to permit the recovery of deferred tax assets. To the extent that such recovery is not probable, recognized deferred tax assets must be reduced to the recoverable amount. Judgement is required in determining the provision for income taxes and recognition of deferred tax assets and liabilities. Management must also exercise judgement in its assessment of continually changing tax interpretations, regulations and legislation, to ensure deferred tax assets and liabilities are complete and fairly presented. The effects of differing assessments and applications could be material.

Changes in Accounting Policies

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

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.

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.

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 January 31, 2017 the Company held cash and cash equivalents of $472,273 to settle current liabilities of $20,363. The Company's working capital at January 31, 2017 was $494,647.

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

Capital Management

The Company identifies capital as share capital, cash and receivables that are expected to be realized in cash. The Company raises capital through private and public share offerings and related party loans and advances. Capital is managed in a manner consistent with the risk criteria and policies provided by the board of directors and followed by management. All sources of financing and major expenditures are analyzed by management and approved by the board of directors.

The Company's primary objectives when managing capital is to safeguard and maintain the Company's financial resources for continued operations and to fund expenditure programs to further advance oil and natural gas property interests

The Company is meeting its objective of managing capital through detailed review and due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to maintain sufficient resources.

The Company is able to scale its expenditure programs and the use of capital to address market conditions by reducing expenditure and the scope of operations during periods of commodity pricing decline and economic downturn.

There are no externally imposed capital restrictions and no changes in approach.

Risks and Uncertainties

The Company's principal activity is oil and natural gas exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, commodity prices, political and economical.

The Company has no significant source of operating cash flow and no revenue from operations. The Company has not determined whether its resource properties contain reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves. The property interests that the Company has or has an option to earn an interest in are in the exploration stage only. Oil and natural gas exploration involves a high degree of risk and few properties, which are explored, are ultimately developed. Exploration of the Company's properties may not result in any discoveries of commercial bodies of resources. If the Company's efforts do not result in any discovery of commercial resources, the Company will be forced to look for other exploration projects or cease operations.

The Company may be subject to risks which could not reasonably be predicted in advance. Events such as labour disputes, environmental issues, natural disasters or estimation errors are prime examples of industry related risks.

The Company is in the business of oil and natural gas exploration and as such, its prospects are largely dependent on movements in the price of oil and natural gas. Prices fluctuate on a daily basis and are affected by a number of factors beyond the control of the Company. The resource exploration industry in general is a competitive market and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist. Due to the current grassroots nature of its operations, the Company does not enter into price hedging programs.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters.

Environmental Risks and Hazards

All phases of the Company's exploration operations are subject to environmental regulations in the jurisdictions it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests, which are unknown to the Company at present and which may have been caused by previous or existing owners or operators of the properties. The Company may become liable for such environmental hazards caused by previous owners and operators of the properties even where it has attempted to contractually limit its liability. Government approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from proceeding with planned exploration or development of oil and natural gas properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities which may cause operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in oil and natural gas operations may be required to compensate those suffering loss or damage by reason of the oil and natural gas activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of oil and natural gas companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures and production costs. They may also cause a reduction in levels of production at producing properties or they may require abandonment or delays in development of new oil and natural gas properties.

Outstanding Share Data

For additional detail, see Note 7 of the audited financial statements.

	Number Issued and Outstanding May 23, 2017	**Number Issued and Outstanding January 31, 2017**
Common Shares issued and outstanding	544,158,743	544,158,743
Warrants to purchase Common shares	69,016,000	69,016,000
Options to purchase Common Shares	41,500,000	41,500,000
Fully Diluted	654,674,743	654,674,743

Officers Certification of Evaluation of Disclosure Controls

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management Discussion and Analysis.

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

The Company has been in the exploration stage and has not had common separation of duties and functions usually found in a larger or revenue generating company with comprehensive internal controls. While the Company's smaller staff size has not allowed for full separation of duties, its senior management believes that its close involvement with day-to-day business activities and related financial reporting provides a reasonable measure of internal control in lieu of the separation of duties.

Signed

"*Brian Fiddler*"

Brian Fiddler
Chief Financial Officer
May 23, 2017

SHOAL POINT ENERGY LTD.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JANUARY 31, 2017 AND 2016

The accompanying notes are an integral part of these financial statements

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Shoal Point Energy Ltd.:

We have audited the accompanying financial statements of Shoal Point Energy Ltd., which comprise the statements of financial position as at January 31, 2017 and 2016, and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Shoal Point Energy Ltd. as at January 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describe certain conditions that indicate the existence of a material uncertainty that may give rise to significant doubt about the Shoal Point Energy Ltd.'s ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
May 23, 2017

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

	January 31, 2017	January31, 2016
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 472,273**	$ 80,142
Reclamation deposit (Note 5)	**-**	1,000,000
Accounts receivable	**23,549**	4,697
Prepaid expenses	**19,188**	9,950
	515,010	1,094,789
RECLAMATION DEPOSIT (Note 5)	**50,000**	-
OIL AND NATURAL GAS PROPERTIES AND EQUIPMENT (Note 6)	**7,541,609**	7,445,299
	$ 8,106,619	$ 8,540,088
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 20,363**	$ 63,019
	20,363	63,019
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**59,444,279**	59,440,429
Subscriptions received	**-**	5,000
Warrants (Note 7)	**11,876,223**	11,876,223
Contributed surplus (Note 7)	**4,403,988**	4,365,221
Deficit	**(67,638,234)**	(67,209,804)
	8,086,256	8,477,069
	$ 8,106,619	$ 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

The accompanying notes are an integral part of these financial statements

SHOAL POINT ENERGY LTD.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JANUARY 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	January 31, 2017	January 31, 2016
Expenses		
Consulting fees	**$ -**	$ 1,685
Depreciation	**1,859**	3,232
Equipment impairment (Note 6)	**3,659**	-
Management salaries (Note 9)	**201,600**	208,200
Office, general and administrative	**111,992**	169,772
Professional fees	**48,140**	69,370
Rent	**52,629**	55,212
Stock-based compensation (Notes 7 and 9)	**38,767**	147,650
Loss from operations	**(458,646)**	(655,121)
Interest and other income	**3,348**	8,062
Write off of old accounts payable	**26,868**	182,663
Net loss and comprehensive loss for the year	**$ (428,430)**	$ (464,396)
Loss per share		
Basic and fully diluted (Note 10)	**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding	**544,041,257**	505,620,113

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

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

	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	315,055	5,000	-	-	-	-	320,055
Warrants issued (Note 7)	-	(8,224)	-	68,016,000	8,224	-	-	-
Stock-based compensation (Note 7)	-	-	-	-	-	147,650	-	147,650
Warrants expired	-	-	-	(77,987,284)	-	-	-	-
Comprehensive loss for the year	-	-	-	-	-	-	(464,396)	(464,396)
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 year	-	-	-	-	-	-	(428,430)	(428,430)
Balance, January 31, 2017	544,158,743	$ 59,444,279	$ -	69,016,000	$ 11,876,223	$ 4,403,988	$ (67,638,234)	$ 8,086,256

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

SHOAL POINT ENERGY LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2017 AND 2016
(Expressed in Canadian Dollars)

	January 31, 2017	January 31, 2016
Cash flows from operating activities		
Net loss for the year	**$ (428,430)**	$ (464,396)
Adjustments not effecting cash:		
Depreciation	**1,859**	3,232
Equipment impairment	**3,659**	-
Stock-based compensation	**38,767**	147,650
Changes in non-cash working capital		
Accounts receivable	**(18,852)**	1,052
Prepaid expenses	**(9,238)**	(275)
Accounts payable and accrued liabilities	**(42,656)**	(180,200)
Cash flows used in operating activities	**(454,891)**	(492,937)
Cash flows from investing activities		
Purchase of equipment	**(2,526)**	(3,423)
Oil and natural gas properties	**(99,302)**	(98,715)
Sale of equipment	**-**	32,091
Reclamation deposit	**950,000**	-
Cash flows provided by (used in) investing activities	**848,172**	(70,047)
Cash flows from financing activities		
Issuance of common shares and subscriptions received	**-**	335,000
Share issuance costs	**(1,150)**	(14,945)
Cash flows provided by (used in) financing activities	**(1,150)**	320,055
Net increase in cash	**392,131**	(242,929)
Cash, beginning of year	**80,142**	323,071
Cash and cash equivalents, end of year	**$ 472,273**	$ 80,142

The components of cash and cash equivalents are as follows:

Cash	**$ 36,237**	$ 80,142
Term deposit	**436,000**	-
	$ 472,273	$ 80,142

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. V6E 3V7. 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. 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 recommending significant further study before hydraulic fracturing could be considered.

The Company originally anticipated that it would use hydraulic fracturing to achieve commercial production. The Company is now planning to submit a planning document to the regulators in Newfoundland and Labrador that does not involve hydraulic fracturing to achieve production. The planning document will be the first step of a process of applying for an operations authorization to drill and test a well in exploration licence 1070.

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

2. BASIS OF PRESENTATION

Statement of Compliance

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

These financial statements were authorized for issue by the board of directors on May 23, 2017.

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

CASH AND CASH EQUIVALENTS

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

ACCOUNTING FOR INCOME TAXES

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

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

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

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

BASIC AND DILUTED LOSS PER COMMON SHARE

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

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 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)

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

Classification of financial instruments

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

	January 31, 2017	**January 31, 2016**
Loans and receivables:		
Cash	$ 36,273	$ 80,142
Term deposit	436,000	-
Reclamation deposit	50,000	1,000,000
	$ 522,273	$ 1,080,142

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

	January 31, 2017	**January 31, 2016**
Non-derivative financial liabilities:		
Trade payables	$ 20,363	$ 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 secures 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 new regulations taking effect on February 26, 2016. The Company posted a $50,000 deposit with the Department of Natural Resources of Newfoundland and Labrador in August 2016 as part of the new financial responsibility regime.

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	99,302	2,526	101,828
Impairment	-	(3,659)	(3,659)
Balance at January 31, 2017	$ 7,537,140	$ 24,053	$ 7,561,193

(Expressed in Canadian Dollars)

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		-		1,859		1,859
Balance at January 31, 2017	$	-	$	19,584	$	19,584
Carrying Amounts						
As at January 31, 2016	$	7,437,838	$	7,461	$	7,445,299
As at January 31, 2017	$	7,537,140	$	4,469	$	7,541,609

The Company currently has exploration license 1070 ("EL 1070") off the west coast of Newfoundland which total 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. In October 2014, the Government of Newfoundland appointed five members to the Newfoundland and Labrador Hydraulic Fracturing Review Panel ("NLFRP") to study the socio-economic and environmental impacts of hydraulic fracturing in western Newfoundland. The report was made public on May 31, 2016 and recommends, among other things, significant further study before hydraulic fracturing could be considered. The Company originally anticipated that it would use hydraulic fracturing to achieve commercial production. The Company is now planning to submit a planning document to the regulators in Newfoundland and Labrador that does not involve hydraulic fracturing to achieve production. The planning document will be the first step of a process of applying for an operations authorization to drill and test a well in exploration licence 1070.

7. EQUITY INSTRUMENTS

(a) Share Capital

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)

7. EQUITY INSTRUMENTS (cont'd)

(a) Share Capital (cont'd)

Shares issued during year ended January 31, 2017

(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. The Company incurred share issue costs in connection with the private placement of $1,150.

(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:

	January 31, 2017		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 expired	(2,000,000)	0.05	-	-
Options outstanding, ending	41,500,000	$ 0.05	43,500,000	$ 0.05
Options exercisable, ending	41,500,000	$ 0.05	29,666,667	$ 0.05

Details of options outstanding as at January 31, 2017 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding
$0.15	1.11 years	500,000
$0.05	4.55 years	41,000,000
$0.05	4.51 years	41,500,000

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 vest one year after the grant date, and one third vest two years after the grant date. During the year ended January 31, 2017, stock based compensation of $38,767 was recognized (2016 – $147,650).

(Expressed in Canadian Dollars)

7. EQUITY INSTRUMENTS (cont'd)

(c) Warrants

The following table summarizes warrants that have been issued, exercised or have expired during the year ended January 31, 2017:

	January 31, 2017		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

The fair value of warrants issued during the year ended January 31, 2016 of $8,224 has been estimated using the Black-Scholes pricing model with the following weighted-average assumptions: market value of underlying stock of $0.005; risk free rate of .72% - .82%; expected term of 1 year; exercise price of the warrants of $0.05; volatility of 161% - 164%; and expected future dividends of nil.

All warrants issued during the period and warrants outstanding as at January 31, 2017 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 January 31, 2017, the following warrants were outstanding:

Exercise price	Number outstanding	Weighted average remaining contractual life (in years)
$0.05	62,140,000	3.56
$0.05	5,876,000	3.74
$0.05	1,000,000	4.12
	69,016,000	3.58

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.

Sublease obligations

Sublease obligations relate to the Company's rent of office space. The term of the lease expires on March 31, 2019. A schedule of the Company's minimum lease payments is as follows:

	January 31, 2017	January 31, 2016
Payable not later than one year	$ 53,159	$ -
Payable later than one year and not later than five years	79,738	-
	$ 132,897	$ -

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

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

	January 31, 2017	January 31, 2016
Management salaries	$ 201,600	$ 208,200
Stock-based compensation	22,539	85,843
	$ 224,139	$ 294,043

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. As the Company is in a loss position for the years ended January 31, 2017 and 2016, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation.

11. INCOME TAXES

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

Nature of temporary differences	2017	2016
Oil and natural gas property	$ 10,392,793	$ 10,392,793
Cumulative eligible capital	41,368	44,482
Share issuance costs and other	16,520	67,965
Non-capital losses	4,678,577	4,516,645
	15,129,258	15,021,885
Deferred tax assets not recognized	(15,129,258)	(15,021,885)
	$ -	$ -

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

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial tax rates of 29% (2016 - 29%) to the loss before income taxes as follows:

	2017	2016
Expected tax recovery	$ (124,245)	$ (134,675)
Stock based compensation costs and other non-deductible expenses	12,303	42,831
Change in tax rate and other	4,569	62,593
Change in deferred tax assets not recognized	107,373	29,251
	$ -	$ -

(Expressed in Canadian Dollars)

11. INCOME TAXES (cont'd)

As at January 31, 2017 the Company has non-capital losses of $16,133,024 that can be used to reduce future taxable income. These losses expire as follows:

2027	$	877,951
2028		1,587,145
2029		2,720,988
2030		1,854,414
2031		772
2032		3,905,473
2033		730,261
2034		2,512,171
2035		730,551
2036		654,913
2037		558,385
	$	16,133,024