

Dear Shareholders:

Over the past two years or so, the company has faced challenges of various types, principally related to the difficulties of raising capital in tough market conditions. Through this period, Management and the Board of Directors has kept its focus on positioning the company for a rapid leap forward once either funding, or a well-funded joint venture partner, was identified.

## **FARM IN AGREEMENT ANNOUNCEMENT**

### **\$6.5 MILLION DRILLING PROGRAM TO COMMENCE AT SHOAL POINT WESTERN NEWFOUNDLAND**

Shoal Point Energy (SPE) and its partner Canadian Imperial Venture Corp (CIVC) are pleased to announce that drilling of a well on Shoal Point, Port au Port Bay, is planned to start this September, subject to receiving the required approvals from the CNLOPB and the Government of Newfoundland and Labrador.

The new 2200 meter well (designated 3K-39), is a follow-up to the 2008 discovery, of an approximately 500m thick oil-bearing section in the Green Point shale formation. While drilling this section with an overbalanced drilling fluid column, this formation produced approximately 54 barrels of oil into the well bore, indicating that the Green Point is capable of producing even without being subjected to the stimulation techniques which are usual in shale reservoirs.

The 3K39 well will twin the discovery well through the Green Point section and be specifically designed for extensive evaluation. Data acquisition will include well cuttings, cores, open hole logs and well tests. Depending on results, the well may be stimulated by hydro fracturing ("frac'ing") and completed for future production.

As previously reported, an independent engineering evaluation by AJM Petroleum Consultants of Calgary, provided an Unrisked Resource Estimate for Discovered Oil-In-Place of 1.6 Billion barrels (Best Estimate) with a range of 500 Million barrels (Low Estimate) and 5.2 Billion barrels (High Estimate)

A \$6.5 million financing of the project has been accomplished through a farm out by SPE and CIVC, of their interests in the Shallow Rights in EL1070 to Dragon Lance Management Corporation (DLMC).

Summary of Interests in EL1070 Shallow Rights:

	<b>SPE</b>	<b>CIVC</b>	<b>DLM C</b>	
Current	61.5%	38.50%	-	
After Earning	30.75%	19.25%	50%	

Drilling operations will be managed by Dragon Lance Management Company ("DLMC") who also managed the drilling of the 2K-39 well, which was accomplished without any significant health, safety and environmental incidents. Since the new

well will be drilled from the same surface location as the earlier well and will penetrate a near-identical sub-surface section, geological, engineering, environmental, and safety risks are minimized.

Although production of oil from the Green Point was established at Shoal Point over 100 years ago, technology has enabled this type of oil-in-place unconventional shale play to achieve rapidly rising prominence in North America.

"DLMC and our investors are extremely excited to form this partnership with the very strong management teams at Shoal Point Energy and Canadian Imperial Venture Corp. As we commence drilling and apply for a Significant Discovery License on License 1070 we look forward to being part of developing, what we believe is a world class Oil in Shale resource play similar to the Barnett shales in Texas and the Bakken shales in Saskatchewan and Montana" said Steve McIntosh, CEO of Dragon Lance Management Corp.

### **OUR NEXT BUSINESS CHALLENGE**

With the signing of the farm-in agreement, and with the committed monies, the well will be drilled. The Company will now turn to the next stage of its business plan and will provide a liquidity opportunity for shareholders by taking Shoal Point public. The management team has been sourcing public shell-companies and investors as a part of the process of becoming listed on a public stock exchange and will be reporting on the results in a timely fashion.

### **PURPORTED BOARD MEETING**

On Wednesday July 28, 2010, there was a purported shareholders meeting held by conference call. The Board of Directors attended that purported meeting in order to observe the proceedings and to register their belief that the meeting had been called in contravention of the provisions of the Business Corporations Act (Alberta) (the "ABCA"). After discussions with our lawyers, the Board of Directors would like to report to the shareholders the following facts:

- Less than the required 21 days notice of the meeting was provided, contrary to the ABCA.
- All of the shareholders did not receive notification of the meeting, and some shareholders did not receive proxies.
- The auditor of the Company was not provided with 21 days notice of the meeting, as required by the ABCA.
- The individual acting as Chairman of the meeting did so in direct violation of the by-laws of the Company.
- The Scrutineer's report and the proxy count will be in dispute, since some proxies had been sent as per the instructions detailed on such proxies, but had neither been received nor counted. In addition, some proxies were accepted at the meeting by phone count.

Under these circumstances, the Board of Directors, after consulting with the Company's Alberta and Ontario lawyers, has determined that the purported shareholder meeting was illegal and the business conducted thereat illegitimately transacted. The Board, therefore, does not recognize either the meeting or its

results. The Board of Directors is meeting with lawyers to determine what action, if any, is needed.

## **IN SUMMARY**

The Company is very excited about the next few years. What has changed, is the oil and gas industry's view towards unconventional hydrocarbon resource plays. Where once oil-bearing shales were ignored in favour of those lying within the gas window, now a rapid repositioning is underway, led by majors such as EOG and others, whereby liquids - light oil and condensate - are becoming the target of choice. We would encourage you to look at EOG's corporate presentation on their website ([www.eogresources.com](http://www.eogresources.com)) to see the dramatic rise in the importance of liquids to their business.

It now appears that SPE and partners were in fact just a bit in front of the curve, having recognized the oil play immediately as we drilled it in July 2008. We will strive to remain in the forefront of this oil-in-shale revolution as we begin the process of developing the lands in Port au Port Bay near Stephenville, Newfoundland, and acquire other potential lands nearby, in the months and years to come. Obviously, we think this play is going to be worth a lot of money. Your Board and management would like to express our deep appreciation to shareholders who have supported us through this period.

### **Members of the Management Team    Members of the Board**

George Langdon

Mark Cooper

Jock McCracken

Alex Falconer

Gerard Edwards

John Wright

Steve McIntosh

Ian Ollers