

June 6, 2016

CSE: SHP

Shoal Point responds to release of report from NL Hydraulic Fracturing Review Panel

Mark Jarvis, CEO of Shoal Point Energy, today responded to the final report of the Newfoundland and Labrador Hydraulic Fracturing Review Panel, released May 31. “The report concludes that many years of study, development of new government policies and research are required before hydraulic fracturing can be used, if ever, in the province of Newfoundland and Labrador,” said Mr. Jarvis. “We find the conclusion puzzling, because the individual reports written by the experts on the Panel came to more constructive conclusions.”

In the section on “**Hydraulic Fracturing and Wellbore Integrity**”, written by Maurice B. Dusseault, PEng, PhD., he made the following points:

- The construction, forestry and transportation industries are the most dangerous industries in Canada in terms of personal risk, far greater than the oil and gas industry.
- Risks of fracturing fluids rising from depth of 1000-3000 m to the groundwater zone are close to zero.
- The amount of natural gas that might be emitted to the atmosphere from leaking energy wells is trivial compared to other sources of fugitive methane (cattle, leaky distribution systems, anaerobic decomposition of landfills, etc.).
- The potential negative environmental impacts of drilling, hydraulic fracturing, operating and decommissioning oil and gas wellbores are well understood; best practices have been clearly established by industry and regulatory agencies elsewhere, and for all known risks, there are methods to reduce both consequences and likelihood of an incident.

In the section on “**Review of Economic and Employment Data**”, primarily about the Stephenville – Port au Port area, by Wade Locke, PhD, he noted that the population is declining and aging, the unemployment rate is 18.8%, family income is 73% of the provincial average and that young people who want to work after graduation have to move away to find jobs.

In the section “**Review of Potential Effects of Hydraulic Fracturing on Human Health in Western Newfoundland**” Kevin Keough, PhD FCAHS ICD.D notes that health is strongly correlated to income and that the net health impact on the community from the development of an oil and gas industry could well be positive.

He concludes that “By taking a precautionary approach to development in ways such as those outlined above it should be possible to develop a safe, well-managed and productive industry that could serve the region and its people well over the next generation. To maintain community confidence, transparency and timely provision of information must be part of the standard operating procedure for industry and government.”

In the section “**Review of Water Resources in Western Newfoundland in a Hydraulic Fracturing Context**” by Graham A. Gagnon & Lindsay A. Anderson, recommendations include:

- The use of alternative water sources such as saltwater or utilizing freshwater sources closer to Corner Brook should also be considered. Should the province consider the use of saltwater sources, regulatory requirements for using seawater will be required.
- A proper baseline water quality monitoring program is recommended prior to any unconventional oil and gas exploration.
- Wastewater treatment plan would therefore be required in the event Class II disposal wells are not available. The wastewater management plan would include wastewater discharge.

“These reports, presented as appendices to the main report, are balanced and thoughtful, and we agree with most of the recommendations,” said Mr. Jarvis. “I urge anyone in the province who wants to understand the issues to read the appendices written by the Panel experts.”

“We do not understand how you logically get from these expert reports to the conclusion in the main report that development should be delayed for years.” Mr. Jarvis continued. “Our suggestion to the Panel was to allow a limited, closely monitored evaluation program to better understand the geology and the commercial potential of this resource. This evaluation program would provide the information needed to design a development plan, if indeed the resource is of commercial interest.”

For further information, please contact:

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***The Canadian Securities Exchange (CSE) has neither approved nor disapproved
the contents of this news release.***