

*Form 45-106F14
Rights Offering Notice for Reporting Issuers*



SHOAL GAMES LTD.
("Shoal Games" or the "Issuer")

Notice to security holders – July 15, 2016

**We currently have sufficient working capital to last 3 months.
We require 25% of the Rights offering to be taken up to last 12 months.**

Who can participate in the rights offering?

Shareholders of outstanding common shares (each, a "Common Share") of record at the close of business on July 5, 2016 (the "Record Date") will be issued rights (each, a "Right") to subscribe for additional Common Shares of the Issuer on the terms set forth in the Issuer's Rights offering circular (the "Offering Circular") to be published July 22, 2016.

Who is eligible to receive Rights?

Rights will be issued and forwarded to shareholders who are residents of Canada (the "Qualified Jurisdiction").

Rights in respect of shareholders who are residents of any jurisdiction other than the Qualified Jurisdiction will be issued to and held by Computershare Investor Services Inc. ("Computershare") as agent for the benefit of those shareholders not resident in the Qualified Jurisdiction. Shareholders outside the Qualified Jurisdiction who are able to demonstrate their eligibility to receive Rights and provide an Exempt Purchaser Status Certificate to the Issuer may also be eligible to receive Rights. See the Issuer's Offering Circular for further information.

How many Rights are we offering?

The Issuer is offering a total of 59,535,637 Rights.

How many Rights will you receive?

Each holder of Common Shares on the Record Date will receive one Right for each one Common Share held.

What do these Rights entitle you to receive?

Ten Rights plus the sum of \$0.60 (the "Subscription Price") are required to subscribe for one additional Common Share on or before August 16, 2016 (the "Basic Subscription Privilege"). The Subscription Price

escalates during the term of the Rights offering. Holders of Rights who exercise their Rights after August 16, 2016 but on or before September 16, 2016 will be required to pay a Subscription Price of \$0.65 for each Common Share. Holders of Rights who exercise their Rights after September 16, 2016 but before the Expiry Time for the Rights Offering will be required to pay a Subscription Price of \$0.70 for each Common Share. No fractional securities will be issued. **Any holder of Rights who exercises all of their Rights has the privilege of subscribing for additional Common Shares at the same Subscription Price paid on exercise of their Rights (the “Additional Subscription Privilege”) without having to purchase additional Rights.**

How will you receive your rights?

Only registered shareholders of the Issuer will be provided with Rights certificates by the Issuer. For shareholders whose Common Shares are held through a participant of CDS Clearing and Depository Services Inc. (“CDS”), Rights will be electronically deposited with CDS. Further details are set out in the rights Offering Circular. Rights will be listed for trading on the TSX Venture Exchange under the symbol SGW:RT.

Rights certificates in respect of shareholders who are residents of any jurisdiction other than the Qualified Jurisdiction will be issued to and held by Computershare Investor Services Inc. (“Computershare” or, the “Subscription Agent”) as agent for the benefit of those Shareholders not resident in the Qualified Jurisdiction. Further details are set out in the Offering Circular.

When and how can you exercise your rights?

The Rights will expire at 4:00 p.m. (EST) on October 11, 2016 (the “Expiry Time”), after which time unexercised Rights will be void and without value.

For shareholders whose Common Shares are held through a participant of CDS (your brokerage firm or account) (each, a “CDS Holder”), Rights will be electronically deposited with CDS. The Issuer expects that each CDS Holder will receive a confirmation of the number of Rights issued to them from their CDS participant in accordance with the practices and procedures of the CDS participant. A CDS Holder may subscribe for additional Common Shares by instructing the CDS participant holding their Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Common Share subscribed for in accordance with the terms of the Offering and the instructions, policies and procedures of the relevant CDS participant. Further details are set out in the Offering Circular.

What are the next steps?

This document contains key information you should know about Shoal Games Ltd. You can find more details in the Issuer’s Offering Circular. To obtain a copy, visit Shoal Games Ltd.’s profile on the SEDAR website (www.sedar.com); visit www.shoalgames.com and click on the Rights Offering tab; ask your dealer representative for a copy; or contact Mr. Henry Bromley by email at henry@shoalgames.com. You should read the Offering Circular, along with Shoal Games Ltd.’s continuous disclosure record to make an informed decision.

Shoal Games Ltd.

Per: (signed) Tryon M. Williams
T.M. Williams, Chairman