

*This rights (“Rights”) offering circular (“Offering Circular”) is prepared by management. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Circular. Any representation to the contrary is an offence.*

*This is the Offering Circular we referred to in the July 15, 2016 Rights offering notice, which you should have already received. Your Rights certificate and relevant forms were enclosed with the Rights offering notice. This Offering Circular should be read in conjunction with the Rights offering notice and our continuous disclosure prior to making an investment decision.*

Rights Offering Circular

July 15, 2016



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

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

***Why are you reading this Offering Circular?***

The Issuer is offering Rights to its shareholders in an effort to increase its shareholder distribution and to improve liquidity in the Issuer's shares. If Rights are exercised they will also provide financing for the Issuer. Holders of the Issuer's common shares should have received a Rights offering notice dated July 15, 2016 along with a Rights certificate and the relevant forms.

***What is being offered?***

The Issuer is offering a total of 59,535,637 Rights to holders of its outstanding common shares (each, a "Common Share") as of July 5, 2016 (the "Record Date") to subscribe for additional Common Shares of the Issuer. Each holder will receive one Right for each one Common Share held. There is no cost to shareholders for the Rights which have been offered.

***What does a Right 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 their Rights (the “Additional Subscription Privilege”) without having to purchase additional Rights.

***What is the subscription price?***

The Subscription Price is as follows and escalates during the term of the Rights offering:

<b>Exercise Price on or before August 16, 2016</b>	<b>Exercise Price after August 16, 2016 but on or before September 16, 2016</b>	<b>Exercise Price after September 16, 2016 but before the Expiry Time of the Rights offering</b>
Ten Rights plus the sum of \$0.60 are required to subscribe for one additional Common Share.	Ten Rights plus the sum of \$0.65 are required to subscribe for one additional Common Share.	Ten Rights plus the sum of \$0.70 are required to subscribe for one additional Common Share.

***When does the offer expire?***

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

***What are the significant attributes of the Rights issued under the Rights offering and the securities to be issued upon the exercise of the Rights?***

The Rights are offered to the Issuer’s shareholders at no cost. The Rights may be exercised into additional Common Shares of the Issuer during the period from July 22, 2016 to October 11, 2016. The exercise or Subscription Price of the Rights is at a discount to the Issuer’s market price on the Record Date of July 5, 2016. The Rights will trade on the TSX Venture Exchange during the period from July 22, to October 11, 2016. Rights holders may sell their Rights through the TSX Venture Exchange during that period. The Rights do not have to be exercised in order for them to be sold (See “How Does a Rights Holder Sell or Transfer Rights” on page 12 of this Offering Circular). Rights which are exercised receive additional Common Shares of the Issuer. Holders of Common Shares are entitled to dividends if, as and when declared by the Board of Directors, to vote at any meetings of the holders of Common Shares with each share entitling the holder to one vote upon liquidation, dissolution or winding up of the Issuer and to receive the remaining property and assets of the Issuer. All of the Common Shares outstanding are fully paid and non-assessable. Shoal Games will issue up to a maximum of 5,953,564 Common Shares upon the exercise of Rights.

***What are the minimum and maximum number of additional Common Shares that may be issued under the Rights offering?***

There is no minimum number of Common Shares which will be issued upon the closing of the Rights offering. There is a maximum of 5,953,564 Common Shares issuable upon the exercise of the Rights.

***Where will the Rights and the securities issuable upon the exercise of the Rights be listed for trading?***

The Rights will be listed on the TSX Venture Exchange (“TSXV”) from July 22 to October 11, 2016 under the symbol “SGW.RT”. The additional Common Shares issuable on exercise of the Rights will be listed on the TSXV under the symbol “SGW”.

***Can Rights bought through the TSXV be used to purchase securities of the issuer at the discount price?***

Yes, provided the Rights and the necessary funds are delivered to the Transfer Agent or Dealer prior to the relevant Exercise Date and no later than the Final Exercise Date of October 11, 2016.

***Impact of Available Funds***

The amount of funds raised in the Rights offering will affect different areas of the business depending on the level of funds raised (see the chart below). Shoal Games Ltd. is in the computer games entertainment business and its product, Trophy Bingo, currently live in the Apple, Google, and Amazon App Stores, earns more revenue the more game downloads it secures. Additional downloads are obtained from increased marketing expenditures. The entertainment business is undergoing a paradigm shift where customers now pay once they become engaged in the game rather than prior to experiencing the game as in the past. Engaged customers continue to spend additional funds for enhanced game play provided by additional episodes and features. The application of funds raised will be allocated to G&A, additional software development and marketing as per the tables below.

<b>Impact on the Issuer</b>	<b>Assuming 25% of offering</b>	<b>Assuming 50% of offering</b>	<b>Assuming 75% of offering</b>	<b>Assuming 100% of offering</b>
Liquidity	Restricted liquidity	Moderate liquidity	Good liquidity	Fully liquid
Operations	Product development and marketing restricted	Product development and marketing restricted	Product development and marketing slightly restricted	No operational restrictions
Capital Resources	Low capital resources	Medium capital resources	Large capital resources	Fully capitalized
Solvency	Sufficient cash to maintain minimal operations	Sufficient cash to meet minimum objectives	Sufficient cash to reach profitability	Sufficient cash to exceed profitability objectives

The amount of funds raised in the Rights offering will affect management's allocation of funds to different business segments, depending on the amount of funds raised. The Issuer requires an additional \$600,000 to cover its G&A for the next 12 months (see the chart above). Additionally the Issuer contracts a team of dedicated software engineers to provide additional episodes and further game enhancements to Trophy Bingo and to complete development of its license for Garfield Bingo. Additional marketing expenditures will increase the number of game downloads, engaged players, and revenues. Management believes both Trophy Bingo and Garfield Bingo have the potential to become top grossing bingo games which will provide significant value and returns to the Issuer for many years.

<b>Impact on the Issuer</b>	<b>Assuming 25% of offering</b>	<b>Assuming 50% of offering</b>	<b>Assuming 75% of offering</b>	<b>Assuming 100% of offering</b>
General & Administrative	Maintain funding	Maintain funding	Maintain funding	Maintain funding
Future Development Improvements	Restricted by lack of funding	Less Restricted by lack of funding	Less Restricted by lack of funding	No restrictions
Marketing Costs	Restricted by lack of funding	Less Restricted by lack of funding	Less Restricted by lack of funding	No restrictions

<b>Impact on the Issuer</b>	<b>Assuming 25% of offering</b>	<b>Assuming 50% of offering</b>	<b>Assuming 75% of offering</b>	<b>Assuming 100% of offering</b>
Effect on Business Milestones and Objectives	Insufficient cash to meet all objectives	Insufficient cash to meet all objectives	Sufficient cash to meet objectives	Sufficient cash to exceed objectives

***What will our available funds be assuming full subscription of the Rights offering at a Subscription Price of \$0.60 per Common Share?***

		<b>Assuming 25% of offering</b>	<b>Assuming 50% of offering</b>	<b>Assuming 75% of offering</b>	<b>Assuming 100% of offering</b>
A	Amount to be raised by this offering	\$893,035	\$1,786,069	\$2,679,104	\$3,572,138
B	Selling commissions and fees	\$50,000	\$100,000	\$150,000	\$200,000
C	Estimated offering costs (e.g. legal, accounting, audit)	\$50,000	\$50,000	\$50,000	\$50,000
D	Available funds: $D = A - (B + C)$	\$793,035	\$1,636,069	\$2,479,104	\$3,322,168
E	Additional sources of funding required	-	-	-	-
F	Working capital deficiency	-	-	-	-
G	Total: $G = (D + E) - F$	\$793,035	\$1,636,069	\$2,479,104	\$3,322,168

***How will we use the available funds?***

<b>Description of intended use of available funds listed in order of priority</b>	<b>Assuming 25% of offering</b>	<b>Assuming 50% of offering</b>	<b>Assuming 75% of offering</b>	<b>Assuming 100% of offering</b>
General & Administrative	\$600,000	\$600,000	\$600,000	\$600,000
Future Development Improvements	\$100,000	\$500,000	\$725,000	\$1,000,000
Marketing Costs	\$93,035	\$536,069	\$1,154,104	\$1,722,168
Total: Equal to G in the available funds in item 18	\$793,035	\$1,636,069	\$2,479,104	\$3,322,168

***Risk of Payment Default***

The Issuer has no contractual commitments that would result in default should insufficient funds be available to meet projected commitments. Most of the Issuer's staff are contractors, its development and publishing services are outsourced, and all operational costs can be significantly reduced or cancelled on 30 days notice should only the minimum amount of funds be raised in the Rights offering and other sources of funding prove unsuccessful. Management believes that Trophy Bingo in its current state will be capable of supporting minimal operation of the business. We believe the funds obtained from the Rights offering will meet optimal funding requirements and provide significant returns to investors once its development milestones are reached.

### ***Ability to Generate Cash from Other Sources***

Should the Issuer raise less than 100% of the funds available from the Rights offering, or take longer to meet the business objectives required to reach profitability, the Issuer must find other sources of cash. Management believes that the Issuer represents a strong business opportunity and that achieving the milestones set out in 2016 will meet with success. As such, management is confident that it can secure the necessary funds to finance the Issuer for the duration of 2016 from existing or new shareholders. Trophy Bingo is a live product that is loved by its growing fan base of loyal players, many of who pay to play. By expanding the features and depth of Trophy Bingo and introducing Garfield Bingo, the Issuer will be able to retain and monetize its fan base for years to come.

### ***The Minimum Amount for Short-Term Liquidity Requirements***

The minimum amount to meet the short-term requirements of the business is \$600,000.

### ***How long will the available funds last?***

If the funds available from the rights issue are insufficient for the Issuer to reach profitability and pay for expenses coming due within the next 12 months, the Issuer will continue to operate as a going concern. As a result of Trophy Bingo's strong initial performance in the marketplace, management believes that it can access additional sources of cash to continue operations to meet the milestones of the Issuer's strategy. Top Grossing apps generate significant income for years once they reach a level of performance that is not far from Trophy Bingo's present level. Trophy Bingo has shown it's capable of increasing its performance quarter over quarter and management believes that once the current schedule of milestones is complete the game will be a top performer.

### ***Funds for Product Development***

Management intends to spend up to 33% of the available funds on product development. The Issuer's mobile game, Trophy Bingo, will benefit from software development across a number of different aspects of the product including new levels, social mechanics, tournaments, and much more. The largest component of software development that will be added to Trophy Bingo is a competitive player vs. player system which is anticipated to be released in the fourth quarter of 2016. Additionally the Issuer is developing Garfield Bingo, utilizing its license of the Garfield character while maintaining the proven game mechanics of Trophy Bingo. Each release of Trophy Bingo, and the fourth quarter release of Garfield Bingo takes the Issuer closer to profitability and management believes that if the development milestones set out for 2016 can be reached, the Issuer will achieve profitability and significant levels of income for years to come.

The Issuer has contracted its software development requirements to Roadhouse Interactive of Vancouver, Canada. Roadhouse Interactive is a software development company specializing in mobile games and publishing and provides its services to the Issuer on a month-to-month basis. Management has chosen to execute the Issuer's strategy in this manner to retain the greatest amount of flexibility and quickest route to market with a product of high quality.

Shoal Games has been commercializing Trophy Bingo since the product's launch in August 2015. In each quarter since the game's launch, the Issuer has been able to increase the game's ability to generate revenue from players by releasing new software features. Management believes that if sufficient funds

are allocated to Trophy Bingo's development then significant value will be realized in the latter half of 2016 and for many years to come.

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

***Will insiders be participating?***

The two principal shareholders of Shoal Games may participate to assist the Issuer's fund raising efforts but most of their Rights will be available for sale in an effort to increase the Issuer's shareholder distribution and to improve liquidity in the Issuer's Common Shares.

***Who are the holders of 10% or more of our securities before and after the rights offering?***

<b>Name</b>	<b>Holdings before the offering</b>	<b>Holdings after the offering assuming all Rights are exercised by others</b>
Tryon M. Williams, Executive Chairman, SGW	19,592,421 <sup>(1)</sup> shares or 32.91%	19,592,421 shares or 29.92%
Pendinas Limited, Private Holding Company	26,087,999 shares or 43.82%	26,087,999 shares or 39.84%

<sup>(1)</sup> Includes 16,714,956 shares held directly by Mr. T. M. Williams. Mr. T. M. Williams is a potential beneficiary of certain discretionary trusts that hold approximately 80% of the shares of a private holding company. If 80% of the shares of common stock beneficially owned by the private holding company are included here, Mr. T. M. Williams's beneficial ownership increases by 2,877,465 Shares.

***If you do not exercise your rights, by how much will your security holdings be diluted?***

If a shareholder elects not to exercise their Rights, such shareholder's proportionate interest in the outstanding Common Shares will be diluted as a result of the exercise of Rights by other shareholders. If a shareholder elects to exercise all of their Rights, such shareholders proportionate interest in the outstanding Common Shares will not be diluted. If a shareholder elects to exercise their right to purchase additional Common Shares, such shareholders proportionate interest in the outstanding Common Shares will be increased. As at the Record Date the Issuer has 59,535,637 Common Shares issued and outstanding. If all Rights are exercised the Issuer will issue an additional 5,953,564 Common Shares which is a dilution factor of 10%.

***How does a security holder that is a registered holder participate in the Rights offering?***

Registered shareholders of the Issuer who hold Rights Certificates and wish to subscribe for additional Common Shares must exercise their Rights in the manner described below.

1. **Complete and sign Form 1 on the Rights Certificate.** The maximum number of Rights which initially may be exercised is shown in the box on the upper right hand corner of the face of the Rights Certificate. If Form 1 is completed so as to exercise some but not all of the Rights evidenced by the Rights Certificate, the holder of the Rights Certificate will be deemed to have waived the unexercised balance of such Rights, unless Computershare Investor Services Inc. (the

“Subscription Agent”) is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered to the Subscription Agent.

2. **Optional.** Complete and sign Form 2 on the Rights Certificate only if you also wish to participate in the Additional Subscription Privilege. See “*Additional Subscription Privilege*” set out below.
3. **Enclose payment in Canadian funds by cheque, bank draft or money order payable to the order of “Computershare Investor Services Inc.”.** The amount of payment will be dependent on the timing of the payment as per the following schedule:

CDN\$0.60 per additional Common Share if paid on or before August 16, 2016. Payment must also be included for any additional Common Shares subscribed for under the Additional Subscription Privilege.

CDN\$0.65 per additional Common Share if paid after August 16, 2016 but on or before September 16, 2016. Payment must also be included for any additional Common Shares subscribed for under the Additional Subscription Privilege.

CDN\$0.70 per additional Common Share if paid after September 16, 2016 and before the Expiry Time. Payment must also be included for any additional Common Shares subscribed for under the Additional Subscription Privilege.

4. Deliver or mail the completed Rights Certificate and payment in the enclosed return envelope addressed to the Subscription Agent so that it is received by the Subscription Agent’s office listed below before the Expiry Time. If mailing, registered mail is recommended. Please allow sufficient time to avoid late delivery. The signature of the Rights Certificate holder must correspond in every particular with the name that appears on the face of the Rights Certificate.

The Subscription Agent has been appointed to receive subscriptions and payments from holders of Rights and to perform the services relating to the exercise and transfer of the Rights. The following office of the Subscription Agent has been appointed to perform these services:

*By Hand Delivery or Courier:*

Computershare Investor Services Inc.  
8th Floor, 100 University Avenue  
Toronto, Ontario M5J 2Y1  
Attention: Corporate Actions

*By Mail:*

Computershare Investor Services Inc.  
P.O. Box 7021  
31 Adelaide Street East  
Toronto, Ontario M5C 3H2  
Attention: Corporate Actions

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent.

**All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the board of directors of the Issuer in its sole discretion, and**

**any determination by the board of directors will be final and binding on the Issuer and its security holders. Subscriptions are irrevocable. The board of directors of the Issuer reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of additional Common Shares pursuant thereto could be unlawful. The board of directors of the Issuer also reserves the right to waive any defect in respect of any particular subscription. None of the board of directors, the Issuer or the Subscription Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice.**

### **Additional Subscription Privilege**

To exercise the Additional Subscription Privilege, any holder of a Rights Certificate who exercises all of his, her or its Rights by completing Form 1 on the Rights Certificate for the maximum number of additional Common Shares that may be subscribed for with the number of Rights evidenced by such Rights Certificate may concurrently exercise his, her or its Additional Subscription Privilege by completing Form 2 on the Rights Certificate, specifying the number of additional Common Shares desired. The purchase price for additional Common Shares subscribed for under the Additional Subscription Privilege must accompany the Rights Certificate when it is delivered to the Subscription Agent and is payable in Canadian funds by cheque, bank draft or money order payable to the order of "Computershare Investor Services Inc.". These funds will be placed in a segregated account pending allocation of the additional Common Shares, with any excess funds being returned by mail without interest or deduction.

As soon as practicable after the Expiry Time, the Subscription Agent will mail to each holder who completed Form 2 on the Rights Certificate, a certificate for the additional Common Shares which that holder has purchased and shall return to the holder any excess funds paid for the subscription of additional Common Shares by such holder under the Additional Subscription Privilege, without interest or deduction.

### ***How does a security holder that is not a registered holder participate in the rights offering?***

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 (your brokerage firm) (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 him, her or it from his, her or its CDS participant in accordance with the practices and procedures of the CDS participant. CDS will be responsible for establishing and maintaining book-entry accounts for its participants holding Rights.

A CDS Holder may subscribe for additional Common Shares by instructing the CDS participant holding his, her or its Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each additional Common Share subscribed for in accordance with the terms of the Offering and the instructions, policies and procedures of the relevant CDS participant. The entire Subscription Price for additional Common Shares subscribed for must be paid at the time of subscription and must be received by the Subscription Agent prior to the Expiry Time. Accordingly, if a CDS Holder is subscribing through a CDS participant, such CDS Holder must deliver payment (by a method acceptable to the relevant CDS participant) and instructions to the CDS participant sufficiently in advance of the Expiry Time to allow the CDS participant to properly exercise the Rights on such CDS Holder's behalf.



The Issuer and the Subscription Agent shall have no liability for: (i) the records maintained by CDS or CDS participants relating to the Rights or the accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such Rights; (iii) any advice or representation made or given by CDS or CDS participants with respect to the rules and regulations of CDS; (iv) any action to be taken by CDS or CDS participants or any failure by CDS or CDS participants to take any action; or (v) any matter relating to the Rights or the exercise thereof.

The ability of a person having an interest in Rights held through a CDS participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS participant) may be limited due to the lack of a physical Rights Certificate.

CDS Holders must arrange purchases or transfers of Rights and the exercise of Rights to purchase additional Common Shares (pursuant to the Basic Subscription Privilege or the Additional Subscription Privilege) through CDS participants. The Issuer expects that confirmation(s) of such purchases and/or transfers will be provided by the relevant CDS participant in accordance with the practices and procedures of such CDS participant.

**Except as otherwise specifically provided herein (see “Shareholders Requiring Exemptions”), payment of the Subscription Price, or any purchase price for additional Common Shares pursuant to the Additional Subscription Privilege, by a CDS Holder will constitute a representation to the Issuer, the Subscription Agent and to any CDS participant that the subscriber is not a U.S. person (as defined in Regulation S under the United States Securities Act of 1933, as amended) or the agent of any U.S. person and is not purchasing the additional Common Shares for the account or benefit of, or for the resale to, any U.S. person.**

**Subscriptions for additional Common Shares (pursuant to the Basic Subscription Privilege or the Additional Subscription Privilege) made in connection with the Offering through a CDS participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for additional Common Shares once submitted.**

**All other eligible registered shareholders of the Issuer must exercise their Rights in accordance with the procedures set out in this Rights Offering Circular. See also “Shareholders Requiring Exemptions”.**

#### ***Who is eligible to receive Rights?***

Rights will be issued and forwarded to shareholders who are residents of all provinces and territories of Canada (the “Qualified Jurisdictions”).

Rights in respect of shareholders who are residents of any jurisdiction other than the Qualified Jurisdictions will be issued to and held by Computershare as agent for the benefit of those shareholders not resident in Qualified Jurisdictions (See “Shareholders Requiring Exemptions”).

#### **Shareholders Requiring Exemptions**

This Rights Offering Circular constitutes an offering of the Rights only in the Qualified Jurisdictions and those jurisdictions where it is lawful to do so. The Rights and Common Shares underlying the Rights have not been and will not be registered under the United States Securities Act of 1933, as amended, and

may not be offered or sold in the United States or to a United States person (except pursuant to an exemption from the registration requirements of such Act).

The Rights and the Common Shares underlying the Rights are not being offered to any person who is or appears to be, or the Issuer or the Subscription Agent have reason to believe, is a resident of any jurisdiction or place other than the Qualified Jurisdictions (all such persons together being referred to as “**Shareholders Requiring Exemptions**”), nor will the Issuer or the Subscription Agent accept subscriptions from any security holder or from any transferee of Rights who is or appears to be, or who the Issuer or the Subscription Agent have reason to believe is a resident of any jurisdiction or place other than the Qualified Jurisdictions, unless such security holder or transferee provides assurances acceptable to the Issuer that such offering to and subscription by such security holder or transferee is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such security holder or transferee is resident. Such assurances may require delivery of an opinion of counsel.

A registered Shareholder Requiring Exemptions whose address of record is outside the Qualified Jurisdictions, but who is eligible or who holds Common Shares on behalf of a holder who is eligible to participate in the offering must notify the Issuer and the Subscription Agent, in writing, on or before the tenth day prior to the Expiry Time if such holder or beneficial holder wishes to participate in the offering. **If you are a Shoal Games shareholder who is resident outside of the Qualified Jurisdictions please refer to the “Notice To Shareholders Requiring Exemptions To Participate In Rights Offering” which has been mailed to you. The Notice explains in detail how you may be able to participate in the offering and it contains an exemption certificate which must be completed by eligible shareholders and delivered to the Subscription Agent.**

Rights Certificates will not be issued and forwarded by the Issuer to Shareholders Requiring Exemptions. Shareholders will be presumed to be resident of the place of their registered address, unless the contrary is shown to the satisfaction of the Issuer. Rights Certificates in respect of Shareholders Requiring Exemptions will be issued to and held by the Subscription Agent as agent for the benefit of Shareholders Requiring Exemptions. The Subscription Agent will hold the Rights until September 30, 2016 (ten days before the Expiry Time) in order to give the beneficial holders an opportunity to claim the Rights Certificate by satisfying the Issuer that the issue of Right Shares pursuant to the exercise of Rights will not be in violation of the laws of the applicable jurisdiction. Following such date, the Subscription Agent, for the account of Shareholders Requiring Exemptions, will, prior to the Expiry Time, attempt to sell the Rights allocable to such Shareholders Requiring Exemptions and evidenced by Rights Certificates in the possession of the Subscription Agent on such date or dates and at such price or prices as the Subscription Agent shall determine in its sole discretion.

No charge will be made for the sale of such Rights by the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with the sale of the Rights. Shareholders Requiring Exemptions will not be entitled to instruct the Subscription Agent in respect of the price or the time at which the Rights are to be sold. The Subscription Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Subscription Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, of the Canadian tax required to be withheld, will be divided on a pro rata basis among such Shareholders Requiring Exemptions and delivered by mailing cheques (in Canadian funds) of the Subscription Agent therefor as soon as practicable to such Shareholders Requiring Exemptions at their addresses recorded on the books of the Issuer. Amounts of less than \$10.00 will not be remitted. The Subscription Agent will act in its capacity as agent of the

Rights holders on a best efforts basis only and the Issuer and the Subscription Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any Ineligible Shareholder. Neither the Issuer nor the Subscription Agent will be subject to any liability for the failure to sell any Rights of Shareholders Requiring Exemptions or as a result of the sale of any Rights at a particular price or on a particular day. **There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Subscription Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be forwarded.**

*What is the additional subscription privilege and how can you exercise this privilege?*

Any holder of Rights who exercises all of their Rights has the privilege of subscribing for additional Right Shares at the Subscription Price paid to exercise their Rights pursuant to the Additional Subscription Privilege. The additional common Shares available for such purpose will be those additional Common Shares available under the offering that have not been subscribed and paid for by the Expiry Time.

If the aggregate number of additional Common Shares subscribed for by all holders who exercise their Additional Subscription Privilege is less than the number of available Common Shares, each such holder will be allotted the number of additional Common Shares subscribed for under the Additional Subscription Privilege.

If the aggregate number of additional Common Shares subscribed for by all holders who exercise their Additional Subscription Privilege exceeds the number of available Common Shares, each such holder of a Right shall be entitled to receive on exercise of the Additional Subscription Privilege, the number of Common Shares equal to the lesser of:

1. the number of additional Common Shares subscribed for by the holder under the Additional Subscription Privilege; and,
2. the product (disregarding fractions) obtained by multiplying the aggregate number of additional Common Shares available through unexercised Rights by a fraction, the numerator of which is the number of Rights previously exercised by the holder and the denominator of which is the aggregate number of Rights previously exercised by the holders of Rights who have subscribed for additional Common Shares under the Additional Subscription Privilege.

To exercise the Additional Subscription Privilege, any holder of a Rights Certificate who exercises all of his, her or its Rights by completing Form 1 on the Rights Certificate for the maximum number of additional Common Shares that may be subscribed for with the number of Rights evidenced by such Rights Certificate may concurrently exercise his, her or its Additional Subscription Privilege by completing Form 2 on the Rights Certificate, specifying the number of additional Common Shares desired. The purchase price for additional Common Shares subscribed for under the Additional Subscription Privilege must accompany the Rights Certificate when it is delivered to the Subscription Agent and is payable in Canadian funds by cheque, bank draft or money order payable to the order of "Computershare Investor Services Inc.". These funds will be placed in a segregated account pending allocation of the additional Common Shares, with any excess funds being returned by mail without interest or deduction.

As soon as practicable after either the First Exercise Date; The Second Exercise Date or the Final Exercise Date, the Subscription Agent will mail to each holder who completed Form 2 on the Rights Certificate, a certificate for the additional Common Shares which that holder has purchased and shall return to the holder any excess funds paid for the subscription of additional Common Shares by such holder under the Additional Subscription Privilege, without interest or deduction.

***How does a rights holder sell or transfer rights?***

The Rights will be listed on the TSXV on July 22, 2016 under the trading symbol “SGW.RT” and will be posted for trading on the TSXV until 12:00 noon (EST) on October 11, 2016. Holders of Rights not wishing to exercise their Rights may sell or transfer them directly or through their stockbroker, investment dealer or CDS participant, as applicable, at the holder’s expense, subject to any applicable resale restrictions. Holders of Rights may elect to exercise only a part of their Rights and dispose of the remainder, or dispose of all of their Rights. Any commission or other fee payable in connection with the exercise or any trade of Rights (other than the fee for services to be performed by the Subscription Agent as described herein) is the responsibility of the holder of such Rights. Depending on the number of Rights a holder may wish to sell, the commission payable in connection with a sale of Rights could exceed the proceeds received from such sale.

**Holders of Rights Certificates**

To transfer the Rights, complete Form 3 (the “Transfer Form”) on the Rights Certificate, have the signature guaranteed by an “eligible institution” to the satisfaction of the Subscription Agent and deliver the Rights Certificate to the transferee. For this purpose, eligible institution means a Canadian Schedule 1 chartered bank, a major trust company in Canada, a member of the Securities Transfer Agents Medallion Program (STAMP), or a member of the Stock Exchanges Medallion Program (SEMP). Members of these programs are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada.

It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights or the Additional Subscription Privilege, but the signature of the transferee on Forms 1 and 2 must correspond in every particular with the name of the transferee shown on the Transfer Form. If the Transfer Form is properly completed, the Issuer and the Subscription Agent will treat the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary. A Rights Certificate so completed should be delivered to the appropriate person in ample time for the transferee to use it before the expiration of the Rights.

**Common Shares held through CDS Clearing and Depository Services Inc.**

For shareholders whose Common Shares are held through a participant of CDS (their stockbroker), see the information contained under the heading “*How does a security holder that is not a registered holder participate in the rights offering?*” on page 4 of this Rights Offering Circular.

**Trading in Rights on the TSXV will terminate at 12:00 noon (EST) on October 11, 2016.**

***When can you trade securities issuable upon the exercise of your Rights?***

The Rights will be listed on the TSXV on July 22, 2016 under the symbol “SGW.RT”. The Common Shares issuable on exercise of the Rights will be listed on the TSXV under the symbol “SGW”. The Rights 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.

***Can I buy Rights through the TSXV and subscribe for common shares utilizing the Rights?***

Yes. By purchasing Rights through your Brokerage Firm you can then exercise the Rights on the basis of one share for every 10 Rights owned. You will pay your subscription funds to your Brokerage Firm who, through the Subscription Agent, will then exercise the Rights you have purchased into Common Shares of the Issuer.

***Are there restrictions on the resale of securities?***

The Issuer is a reporting issuer in the Canadian Provinces of British Columbia and Alberta only. Rights issued to holders in the Qualified Jurisdictions and the Common Shares may be resold without hold period restrictions under the applicable securities laws of the Qualified Jurisdictions by such holders provided that: (i) the Issuer is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the resale; (ii) the sale is not a “control distribution”; (iii) no unusual effort is made to prepare the market or create a demand for the securities that are the subject of the resale; (iv) no extraordinary commission or consideration is paid to a person or company in respect of the resale; and (v) if the selling security holder is an insider or officer of the Issuer, the selling security holder has no reasonable grounds to believe that the Issuer is in default of securities legislation. The Issuer is not in violation of any of these restrictions.

***Will we issue fractional underlying securities upon exercise of the Rights?***

No, we will not issue fractional Common Shares upon exercise of the Rights.

***How can you enforce a judgment against us?***

Shoal Games is incorporated, continued or otherwise organized under the laws of Anguilla, a foreign jurisdiction or resides outside of Canada. It may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada.

***Where can you find more information about us?***

The Issuer’s profile and continuous disclosure can be viewed on the SEDAR website ([www.sedar.com](http://www.sedar.com)). Additional information can be viewed on the Issuer’s website at [www.shoalgames.com](http://www.shoalgames.com).

***Forward-Looking Statements***

Certain statements contained in this Offering Circular include words such as “anticipate”, “could”, “should”, “expect”, “seek”, “may”, “intend”, “likely”, “will”, “believe” and similar expressions. These statements relate to matters which are not historical facts. Such statements of our beliefs, intentions and

expectations about development, results and events which will or may occur in the future, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by us derived from our experience and perceptions. Forward-looking information in this Offering Circular includes, but is not limited to: expected cash provided by operations; future capital expenditures, including the amount and nature thereof; expansion and other development trends in our industry; business strategy and outlook; expansion and growth of our business and operations; our ability to attract new customers; and other such matters.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do, what benefits will be derived there from. Except as required by law, the Issuer will not update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

There is no material fact or material change about the Issuer that has not been generally disclosed.