

SHOAL GAMES LTD.

NOTICE TO U.S. RESIDENT SHAREHOLDERS REQUIRING EXEMPTIONS TO PARTICIPATE IN RIGHTS OFFERING

July 15, 2016

Dear Shareholder:

On June 30, 2016, Shoal Games Ltd. (the "**Company**") issued a press release providing details of the Company's rights offering (the "**Rights Offering**") to the holders of its common shares ("**Common Shares**") of record at the close of business on July 5, 2016 (the "**Record Date**"). Pursuant to the Rights Offering, each holder of Common Shares (a "**Shareholder**") will receive one transferable right (each, a "**Right**") for each Common Share held as of the Record Date. Details of the Rights Offering are described in the Company's rights offering circular dated July 22, 2016 (the "**Circular**"), a copy of which may be obtained under the Company's profile on SEDAR at www.sedar.com or on the Company's website www.shoalgames.com.

Rights are evidenced by transferable rights certificates (the "**Rights Certificates**"). 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.**

As a Shareholder whom the Company believes is, or may be, resident in a jurisdiction that is in the United States, you are being sent an exempt purchaser status certificate (the "**Exempt Purchaser Status Certificate**"), a copy of which is enclosed as Schedule "A".

Further, if you are in the United States and participate in the Rights Offering, you hereby represent and warrant to, and covenant with the Company, and acknowledge that the Company is relying on them to determine whether you are eligible to participate in the Rights Offering on the terms and conditions set forth in the Circular, that:

- (i) you understand and acknowledge that the securities of the Rights Offering have not been registered under the United States Securities Act of 1933, as amended (the "**1933 Act**") or any state securities laws and that the sale of the Securities contemplated hereby is being made to a limited number of "accredited investors" as defined in Rule 501(a) of Regulation D ("**U.S. Accredited Investors**") in transactions not requiring registration under the 1933 Act; accordingly the Securities are "restricted securities" within the meaning Rule 144(a)(3) under the 1933 Act;
- (ii) you have no contract, undertaking, agreement or arrangement with any person to sell, transfer or pledge to such person, or anyone else, the Securities or any part thereof, or any interest therein, and has no present plans to enter into any such contract, undertaking, agreement or arrangement;

- (iii) you acknowledge that the Company has not and does not intend to file a registration statement under the 1933 Act in respect of the securities of the Rights Offering, and you acknowledge that there may be substantial restrictions on the transferability of, and that it may not be possible to liquidate its investment readily in, the securities of the Rights Offering;
- (iv) you are a U.S. Accredited Investor and acknowledges that it is acquiring the securities of the Rights Offering as an investment for its own account or for the account of a U.S. Accredited Investor as to which it exercises sole investment discretion and not with a view to any resale, distribution or other disposition of the securities of the Rights Offering in violation of the federal or state securities laws of the United States **and you have concurrently executed and delivered a certificate in the form attached as Schedule "A" hereto**; and
- (v) you understand and agree that there may be material tax consequences to it of an acquisition, holding or disposition of the securities of the Rights Offering. The Company give no opinion and make no representation with respect to the tax consequences under United States, state, local or foreign tax law of the acquisition, holding or disposition of such securities, and you acknowledge that you are solely responsible for determining the tax consequences of its investment.

If you wish to participate in the Rights Offering, you must execute and return to the Company the Exempt Purchaser Status Certificate **on or before September 30, 2016** to confirm your eligibility to participate in the Rights Offering and provide all further information or documentation that the Company may require, in its sole discretion. The Company, in its sole discretion, will determine your eligibility to participate in the Rights Offering. Once your eligibility to participate in the Rights Offering is confirmed, Computershare Investor Services Inc., the subscription agent retained by the Company in connection with the Rights Offering (the "**Subscription Agent**"), will forward to you a Rights Certificate evidencing the number of Rights you are entitled to. As stated in paragraph 2 above, the exercise price of the Rights escalates over the term of the Rights Offering. In order to acquire Rights at the lowest price you must exercise your Rights before August 16, 2016. If you exercise your Rights after August 16, 2016 and before September 16, 2016 the exercise price increases to \$0.65 per share. If you exercise your Rights after September 16, 2016 and before the expiry of the Rights the exercise price increases to \$0.70 per share.

If you do not satisfy the Company of your eligibility to participate in the Rights Offering on or before the various dates as described above or at the latest September 30, 2016, the Subscription Agent will attempt, on a best efforts basis, to sell your Rights on the TSX Venture Exchange prior to the Expiry Time. The Subscription Agent's ability to sell the Rights, and the prices obtained for the Rights, are dependent on market conditions. The Subscription Agent will not be subject to any liability for failure to sell any Rights held for the benefit of Shareholders Requiring Exemptions at any particular price or prices, or at all. The proceeds received by the Subscription Agent, if any, from the sale of the Rights, net of any applicable costs, expenses and taxes will be divided among the Shareholders Requiring Exemption on a *pro rata* basis according to the total number of Common Shares held by them on the Record Date. The Subscription Agent will mail cheques to the Shareholders Requiring Exemptions at their addresses appearing in the records of the Subscription Agent for their respective proportions of those net proceeds, subject to any applicable taxes which must be withheld for particular Shareholders Requiring Exemptions. The Subscription Agent will not be required to make any such payment to any Shareholder Requiring

Exemption if the amount owing to such holder is less than \$10.00. Such amount will be used by the Company to offset a portion of the remuneration of the Subscription Agent for its services.

If you are the beneficial owner of Common Shares, please note that such Common Shares and the Rights are likely registered in the name of your broker or an agent of that broker. Without your specific instructions, your broker or its agents or nominees will not be able to execute or deliver the Exempt Purchaser Status Certificate. Therefore, if you choose to participate in the Rights Offering, please ensure that instructions respecting the execution or delivery of the Exempt Purchaser Status Certificate are communicated to your broker or an agent of that broker prior to the appropriate date for exercise of your Rights.

A completed and executed Exempt Purchaser Status Certificate should be delivered by email to henry@shoalgames.com or facsimile to the Company at (604) 973-0280 on or before September 30, 2016 followed by delivery of an original copy to the Company at:

Shoal Games Ltd.
Attn. Mr. Henry Bromley
1405 – 1166 Alberni Street
Vancouver, British Columbia
V6E 3Z3 Canada

Any questions or requests for assistance may be directed to the Subscription Agent at the contact information set out below.

Direct Dial: (604) 661-9442
E-Mail: marina.noorpour@computershare.com

Sincerely,

(signed) Tryon M. Williams
Tryon (Tarnie) M. Williams
Chairman and Director
Shoal Games Ltd.

SCHEDULE "A"

EXEMPT PURCHASER STATUS CERTIFICATE FOR U.S. RESIDENT SHAREHOLDERS REQUIRING EXEMPTIONS

U.S. ACCREDITED INVESTOR STATUS CERTIFICATE

This Certificate applies only to persons that are U.S. Purchasers. A "U.S. Purchaser" is (a) any "U.S. person" as defined in Regulation S under the 1933 Act, (b) any person purchasing the Common Shares on behalf of any "U.S. Person", (c) any person that receives or received an offer of the Common Shares while in the United States, (d) any person that is in the United States at the time the purchaser's buy order was made or this Agreement was executed or delivered. "U.S. person" includes but is not limited to (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any partnership or corporation organized outside the United States by a U.S. person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organized or incorporated, and owned, by accredited investors who are not natural persons, estates or trusts; or (iv) any estate or trust of which any executor or administrator or trustee is a U.S. person.

You, the undersigned (the "**Subscriber**"), understands and agrees that none of the securities have been or will be registered under the 1933 Act, or applicable state, provincial or foreign securities laws, and the securities are being offered and sold to the Subscriber in reliance upon the exemption provided in Section 4(2) of the 1933 Act and Rule 506 of Regulation D under the 1933 Act for non-public offerings. The Common Shares are being offered and sold within the United States only to "accredited investors" as defined in Rule 501(a) of Regulation D. The Common Shares offered hereby are not transferable except in accordance with the restrictions described herein.

The Subscriber represents, warrants, covenants and certifies (which representations, warranties, covenants and certifications shall survive the Closing) to the Issuer (and acknowledges that the Issuer is relying thereon) that:

1. it is not resident in British Columbia;
2. it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the securities and it is able to bear the economic risk of loss of its entire investment;
3. the Issuer has provided to it the opportunity to ask questions and receive answers concerning the terms and conditions of the Rights Offering and it has had access to such information concerning the Issuer as it has considered necessary or appropriate in connection with its investment decision to acquire the securities;
4. it is acquiring the securities for its own account, for investment purposes only and not with a view to any resale, distribution or other disposition of the securities in violation of the United States securities laws;
5. it (i) has adequate net worth and means of providing for its current financial needs and possible personal contingencies, (ii) has no need for liquidity in this investment, and (iii) is able to bear the economic risks of an investment in the Securities for an indefinite period of time;
6. if the Subscriber is an individual (that is, a natural person and not a corporation, partnership, trust or other entity), then it satisfies one or more of the categories indicated below (**please place an "X" on the appropriate lines**):

_____ a natural person whose individual net worth, or joint net worth with that person's spouse, at the time of purchase exceeds US \$1,000,000, calculated by (i) not

including the person's primary residence as an asset; (ii) not including indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of the securities as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) including indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of the securities as a liability,

_____ a natural person who had an individual income in excess of US \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of US \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year, or

_____ a director or executive officer of the Issuer;

7. if the Subscriber is a corporation, partnership, trust or other entity), then it satisfies one or more of the categories indicated below (**please place an "X" on the appropriate lines**):

_____ an organization described in Section 501(c)(3) of the United States Internal Revenue Code, a corporation, a Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the securities, with total assets in excess of US \$5,000,000,

_____ a "bank" as defined under Section (3)(a)(2) of the 1933 Act or savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act acting in its individual or fiduciary capacity; a broker dealer registered pursuant to Section 15 of the *Securities Exchange Act of 1934* (United States); an insurance company as defined in Section 2(13) of the 1933 Act; an investment company registered under the *Investment Company Act of 1940* (United States) or a business development company as defined in Section 2(a)(48) of such Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the *Small Business Investment Act of 1958* (United States); a plan with total assets in excess of \$5,000,000 established and maintained by a state, a political subdivision thereof, or an agency or instrumentality of a state or a political subdivision thereof, for the benefit of its employees; an employee benefit plan within the meaning of the *Employee Retirement Income Security Act of 1974* (United States) whose investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-directed plan, whose investment decisions are made solely by persons that are accredited investors,

_____ a private business development company as defined in Section 202(a)(22) of the *Investment Advisers Act of 1940* (United States),

_____ a trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the 1933 Act, or

_____ an entity in which all of the equity owners satisfy the requirements of one or more of the categories set forth in Section 5 of this Questionnaire;

8. it has not purchased the securities as a result of any form of general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, internet, television or other form of telecommunications, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
9. if the Subscriber decides to offer, sell or otherwise transfer any of the securities, it will not offer, sell or otherwise transfer any of such securities directly or indirectly, unless:
- (a) the sale is to the Issuer,
 - (b) the sale is made outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the 1933 Act and in compliance with applicable local laws and regulations in which such sale is made;
 - (c) the sale is made pursuant to the exemption from the registration requirements under the 1933 Act provided by Rule 144 thereunder and in accordance with any applicable state securities or “blue sky” laws, or
 - (d) the securities are sold in a transaction that does not require registration under the 1933 Act or any applicable state laws and regulations governing the offer and sale of securities, and
 - (e) it has prior to such sale pursuant to subsection (c) or (d) furnished to the Issuer an opinion of counsel of recognized standing reasonably satisfactory to the Issuer, to such effect;
10. it understands and acknowledges that upon the issuance thereof, and until such time as the same is no longer required under the applicable requirements of the 1933 Act or applicable U.S. state laws and regulations, the certificates representing the securities, and all securities issued in exchange therefor or in substitution thereof, will bear a legend (in addition to the legends required by Canadian securities laws and the TSX Venture Exchange) in substantially the following form:

“THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF SHOAL GAMES LTD. (THE “ISSUER”) THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE ISSUER; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT OR (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, AND, IN THE CASE OF PARAGRAPH (C) OR (D), THE SELLER FURNISHES TO THE ISSUER AN OPINION OF COUNSEL OF

RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO SUCH EFFECT. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.”

Delivery of certificates bearing such a legend may not constitute “good delivery” in settlement of transactions on Canadian stock exchanges or over-the-counter markets. If the Issuer is a “foreign issuer” with no “substantial U.S. market interest” (all within the meaning of Regulation S under the 1933 Act) at the time of sale, a new certificate, which will constitute “good delivery”, will be made available to the purchaser upon provision by the Subscriber of a declaration together with such other evidence of the availability of an exemption as the Issuer or its transfer agent may reasonably require.

11. it understands and agrees that there may be material tax consequences to the Subscriber of an acquisition or disposition of the securities. The Issuer gives no opinion and makes no representation with respect to the tax consequences to the Subscriber under United States, state, local or foreign tax law of the undersigned’s acquisition or disposition of such securities, in particular, no determination has been made whether the Issuer will be a “passive Foreign investment company” (“**PFIC**”) within the meaning of Section 1291 of the United States Internal Revenue Code;
12. it understands and agrees that the financial statements of the Issuer have been prepared in accordance with International Financial Reporting Standards, which differ from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies;
13. it consents to the Issuer making a notation on its records or giving instructions to any transfer agent of the Issuer in order to implement the restrictions on transfer set forth and described in this Certification and the Agreement;
14. it is resident in the United States of America, its territories and possessions or any state of the United States or the District of Columbia (collectively the “**United States**”), is a “U.S. Person” as such term is defined in Regulation S of the 1933 Act or was in the United States at the time the securities were offered or the Agreement was executed;
15. it understands that the Issuer has no obligation to register any of the securities or to take action so as to permit sales pursuant to the 1933 Act (including Rule 144 thereunder); and
16. it understands and acknowledges that the Issuer is not obligated to remain a “foreign issuer”.

Signed, sealed and delivered by _____)
)
)
in the presence of: _____)
)
)
)
Signature of Witness _____)
)
)
Name of Witness _____)
