

NEWPORT EXPLORATION LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the nine months ended April 30, 2011

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at June 28, 2011 and should be read in conjunction with the unaudited interim financial statements for the nine months ended April 30, 2011 of Newport Exploration Ltd. ("Newport" or the "Company") with the related notes thereto. Those unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, as a result, do not contain all disclosure required under generally accepted accounting principles for annual financial statements. Accordingly, readers may want to refer to the July 31, 2010 audited financial statements and the accompanying notes. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

Newport Exploration Ltd. is a natural resource company engaged in the acquisition and exploration of mineral properties. The Company's head office is in Vancouver, British Columbia. The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan and trades on the TSX Venture Exchange under the symbol NWX.

Overview

In February, 2011, the Company received approval on its agreement with Reva Resources Corp (TSX-V: RVA) ("Reva") whereby the Company can earn a 50% interest in Reva's Chu Chua massive sulphide deposit ("Chu Chua") located approximately 70km north of Kamloops, British Columbia. In order to earn the 50% interest, Newport on or before December 31, 2012, will need to carry out and fund an estimated \$1,070,000 recommended cost of the work program as detailed in the technical report prepared by APEX Geoscience Ltd. ("APEX").

The Company has entered into a contract with APEX to commence the recommended work program on Chu Chua in the summer of 2011. Stage 1(a) of the program proposes imagery acquisition, geologic modeling and preliminary resource calculation. In addition, permit application for a BC Mineral Notice of Work will be completed at this time. Following completion of the 3D geologic model and the preliminary resource calculation, drill collar locations will be chosen as part of Stage 1(a) of the work program. The drill collar locations will be designed to provide increased drill hole density within the resource area (to allow conversion of some of the resource into the indicated category). Given the relatively tight (20m to 30m centre) spacing of historic drilling, it is recommended that Stage 1(b) drilling include 2 or 3 select infill drill holes within the immediate deposit area to confirm the results of previous drilling. Other drill holes will target a zone at 200 m to 300 m below surface immediately beneath the known sulphide mineralization.

The Company, which has over \$6 million in cash, is able to meet all the exploration requirements for the Chu Chua project. The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities, and it is management's opinion that the Company is not exposed to any significant credit risks arising from these financial instruments.

Results of Operations

During the three months ended April 30, 2011, the Company incurred a loss of \$61,504 compared to a loss of \$112,117 for the three months ended April 30, 2010. The significant changes during the three months ended April 30, 2011 compared to the three months ended April 30, 2010 are as follows:

- Foreign exchange gain of \$1,599 was recorded during the three months ended April 30, 2011 compared to \$Nil for the three months ended April 30, 2010. The gain was a result of the petroleum royalty earned by the Company which is denominated in Australian dollars.
- Professional fees decreased to \$4,380 during the three months ended April 30, 2011 from \$7,473 incurred during the three months ended April 30, 2010. The increase relates to lower legal fees incurred during the current quarter.
- Rent increased to \$17,050 during the three months ended April 30, 2011 from \$16,500 incurred during the three months ended April 30, 2010, as a result of a 10% rent increase at head office that commenced on April 1, 2011.
- Interest income of \$20,840 was earned during the three months ended April 30, 2011 on cash held by the Company. This compares to interest income of \$12,128 earned during the three months ended April 30, 2010. The increase was a result of a change in interest rates.
- The Company earned \$38,716 in a petroleum royalty during the three months ended April 30, 2011, an increase from \$Nil earned during the three months ended April 30, 2010. The royalty income from the Company's retained 2.5% royalty on certain exploration permits increased in the current period as a result of the increased production levels of PEL 91 and increased petroleum prices.

During the nine months ended April 30, 2011, the Company had a loss of \$283,062 compared to a loss of \$349,996 for the nine months ended April 30, 2010. The decrease over the comparative period was partially attributed to interest income increasing on funds held in GIC's during the current period from \$34,593 in 2010 to \$99,338 in 2011. Additionally, the Company earned \$38,716 from a petroleum royalty during the current period compared to \$Nil in the comparative period. The reasons for these changes are described above under the Results of Operations for the three months ended April 30, 2011. The Company also incurred \$Nil in travel and related costs in the nine months ended April 30, 2011 compared to \$6,603 in 2010. When travel and related costs were incurred identifying potential property acquisitions for the Company in the comparative period. This was partially offset by an increase in property investigation costs from \$2,173 incurred during the comparative period to \$14,890 incurred during the current period for reviewing prospective projects for the Company. Lastly, office and miscellaneous decreased from \$13,560 in the nine months ended April 30, 2010 to \$7,939 in the nine months ended April 30, 2011. The decrease was a result of a reduction in overhead.

Liquidity and Capital Resources

The Company's working capital position at April 30, 2011 was \$6,649,130 as compared to a working capital position of \$6,931,272 at July 31, 2010. The decrease in working capital is a result of the approximate \$365,000 used in operating activities. At April 30, 2011, the Company held cash of \$6,597,115 (July 31, 2010-\$6,962,715).

As at April 30, 2011, the Company had current assets of \$6,653,264 (July 31, 2010-\$6,977,419), total assets of \$6,656,754 (July 31, 2010-\$6,981,829) and total liabilities of \$4,134 (July 31, 2010-\$46,147). There is no long-term debt.

The principal assets of the Company are cash and receivables. The Company recently entered into an option agreement on an exploration and development project. (See “Overview” above).

The Company has sufficient funds on hand to meet its operating expenses for fiscal 2011.

The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

Commitments

- a) The Company leases office premises under an operating lease with a company controlled by a director. During the year ended July 31, 2009, the Company extended the term of its operating lease for an additional three year term, to expire in March 2012. On April 1, 2011, the landlord increased the annual base rent by 10%. The lease provides for basic lease payments as follows:

2011	\$ 18,150
2012	<u>66,550</u>
	<u>\$ 84,700</u>

- b) The Company entered into management contracts with companies having directors in common. The Company has agreed to pay the companies a combined total of \$25,000 per month. These contracts remain in force on a continuous basis. The contracts can be terminated by the Company by providing 90 days written notice. If termination of services is without cause, the Company will be obligated to pay 36 months of services to one director's company and 24 months to the other director's company.

Quarterly Financial Information

	Three Months Ended April 30, 2011	Three Months Ended January 31, 2011	Three Months Ended October 31, 2010	Three Months Ended July 31, 2010
Total assets	\$ 6,656,754	\$ 6,721,523	\$ 6,845,136	\$ 6,981,829
Working capital	6,649,130	6,710,351	6,819,510	6,931,272
Loss for the period	(61,504)	(109,465)	(112,093)	(142,234)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.01)

	Three Months Ended April 30, 2010	Three Months Ended Jan 31, 2010	Three Months Ended Oct 31, 2009	Three Months Ended July 31, 2009
Total assets	\$ 7,086,028	\$ 7,196,772	\$ 7,339,668	\$ 7,455,340
Working capital	7,073,148	7,184,878	7,308,647	7,421,886
Loss for the period	(112,117)	(124,187)	(113,692)	(80,568)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

Fiscal 2011

During the third quarter of fiscal 2011, the Company's operating expenses decreased slightly as a result of lower legal fees incurred during the quarter, as well as a gain on foreign exchange that was recorded in connection with the petroleum royalty earned in this quarter. The Company earned \$38,716 from its 2.5% petroleum royalty on certain exploration permits in Australia during this quarter.

During the second quarter of fiscal 2011, the Company's operating expenses remained consistent with the prior quarter. During this quarter the Company entered into a option agreement to acquire a 50% interest in the Chu Chua project in British Columbia.

During the first quarter of fiscal 2011, the Company's operating expenses decreased over the prior quarter primarily as a result of the decrease in property investigation costs. Otherwise, overall operating expenses remained consistent with the prior quarter.

Fiscal 2010

During the fourth quarter of fiscal 2010, the Company's operating expenses increased over the prior quarter as a result of the increase in property investigation costs.

During the third quarter of fiscal 2010, the Company's operating expenses remained consistent with the prior quarter, other than a slight drop in both travel and related costs and office and miscellaneous expense in the current period.

During the second quarter of fiscal 2010, the Company's operating expenses remained consistent with the prior quarter as management continued to identify a project of merit.

During the first quarter of fiscal 2010, the Company's operating expenses were consistent with the prior quarter. The main reason for the increase in the loss for the current period is attributed to the decrease in interest income from \$42,536 during the prior period to \$10,243 in the current period.

Fiscal 2009

During the fourth quarter of fiscal 2009, the Company's operating expenses again remained consistent with the prior quarter with the exception of an approximate \$17,000 increase in professional fees as a result of the year end audit fee accrual and an approximate \$10,000 decrease in interest income.

Related Party Transactions

During the nine months ended April 30, 2011, the Company paid or accrued \$135,000 (2010 - \$135,000) to a company controlled by Ian Rozier, the President and C.E.O. for consulting fees and paid or accrued \$90,000 (2010 - \$90,000) for management fees to a company controlled by Barbara Dunfield, director and C.F.O. Additionally, the Company paid or accrued \$50,050 (2010 - \$49,500) for rent to a company controlled by Mr. Rozier. During the nine months ended April 30, 2011, the Company also paid or accrued \$5,433 (2010 - \$7,036) for professional fees to McMillan LLP ("McMillan"), a legal firm of which David Cowan, the Company's Corporate Secretary, is a partner. Also, the Company paid or accrued \$15,000 (2010- \$15,000) in director fees to Merfyn Roberts. Lastly, the Company paid or accrued consulting fees of \$18,000 (2010- \$18,000) to a company controlled by the spouse of David Cohen, a director of the Company.

Included in accounts payable and accrued liabilities is \$3,333 (July 31, 2009-\$3,333) owed to Merfyn Roberts, a director of the Company.

Financial Instruments

Fair Values

The fair value of cash is measured based on level 1 of the fair value hierarchy.

The fair values of receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

(a) Credit Risk

The Company's cash is mainly held at large Canadian financial institutions and as at April 30, 2011 is mainly held in interest bearing accounts. The Company's receivables are mainly HST recoverable from the Canadian government and royalties. The maximum exposure to credit risk is the equivalent of the cash and receivables on the balance sheet of the Company.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital resources as outlined in Note 12 of the April 30, 2011 interim financial statements.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest rate risk

The Company has cash balances, which are deposited at Canadian financial institutions. As of April 30, 2011, the Company did not have any investments in short-term deposits.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at April 30, 2011, the Company did not have any material accounts in foreign currencies.

(iii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

IFRS Changeover Plan Disclosure

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises ("PAEs"). The effective changeover date is August 1, 2011, at which time Canadian GAAP will cease to apply and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at August 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended July 31, 2011 with restated comparatives for the year ended July 31, 2010.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and, 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at August 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions,

in certain areas, to the general requirement for full retrospective application of IFRS. The Company is still evaluating which option exemptions it should elect under IFRS 1.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

IFRS 2 – Share Based Payments;

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transaction with only a few differences. Starting Q1 2010, the Company is moving from 'straight line' to 'graded' vesting for the recognition of stock-based compensation expense. A greater portion of expense is recorded in the initial vesting periods compared to distributing the expense equally over all vesting period.

IAS 36 – Impairment of Assets;

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Risk, Uncertainties and Outlook

As a company active in the mineral resource acquisition and exploration industry, the Company is exposed to a number of risks, including the financial risks associated with the fact that it has no operating cash flow and must access the capital markets to finance its activities.

There can be no assurances the Company will continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs. In addition to this having an impact on any future wholly owned projects, the Company could find itself in a position at a future time where it is unable to fund its share of costs incurred under joint venture agreements to which it is a party, and its interest in such joint ventures could be reduced or eliminated as a result.

The Company is very reliant upon its existing management, and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.

There is intense competition within the minerals industry to acquire properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the company will be able to execute its exploration programs on its proposed schedules and within its cost

estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, such as the availability of essential supplies and services.

Over the past several years, the prices of commodities have increased substantially, stimulating a rapid growth in exploration expenditures and intensifying the competition for talent and services. These conditions have led to increased costs and difficulties in scheduling contractors at times that are optimal from the Company's perspective.

The Company's future exploration activities may require permits from various governmental agencies charged with administering laws and regulations governing exploration, labor standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislation changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

Off Balance Sheet Arrangements

The Company is not aware of any off balance sheet arrangements or commitments as of June 28, 2011.

Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of June 28, 2011.

Share Capital

As at June 28, 2011, the Company had 54,922,874 common shares outstanding and the following outstanding options:

Outstanding Options:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
5,450,000	\$0.10	December 18, 2013

There are no outstanding share purchase warrants.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure document provided by the Company, which can be accessed www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward-Looking Information

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by

such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirements for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.