



NEWPORT

EXPLORATION LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

Six Months Ended January 31, 2018

This management's discussion and analysis of financial position and results of operations ("MD&A") is prepared as at March 16, 2018 and should be read in conjunction with the unaudited condensed interim financial statements for the six months ended January 31, 2018 of Newport Exploration Ltd. ("Newport" or the "Company") with the related notes thereto. Those unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements and, as a result, do not contain all disclosure required under IFRS for annual financial statements. Accordingly, readers may want to refer to the July 31, 2017 audited annual financial statements and the accompanying notes. All dollar amounts included therein and in the following MD&A, unless otherwise indicated, are expressed in Canadian dollars.

Management is responsible for the preparation and integrity of the Company's unaudited condensed interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the unaudited condensed interim financial statements and MD&A, is complete and reliable.

Additional information on the Company is available for viewing on SEDAR at www.sedar.com or by contacting the Company's head office at Suite 501-837 West Hastings Street, Vancouver BC, Canada V6C 3N6. The Company's website is www.newport-exploration.com.

Description of Business

Newport is a natural resource company engaged in the acquisition and exploration of resource properties. In addition, the Company holds a 2.5% gross overriding royalty (the "Royalty") interest on any hydrocarbons produced on certain petroleum exploration and production licences in Australia.

The Company's head office is in Vancouver, British Columbia. The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan and trades on the TSX Venture Exchange (TSX-V) under the symbol NWX.

Overview

Oil and Gas Royalty Interests

The Company's Royalty on several oil and gas exploration and production licences in the Cooper Basin, N.S.W. Australia are operated by Beach Energy Ltd ("Beach") and Santos Ltd ("Santos").

The Royalty is a non-operating interest and the Company is therefore not informed of any decisions made concerning the operations or intentions of Beach and Santos and, consequently cannot speculate on development, production plans, or potential revenues.

The Company does not have access to the underlying technical data and cannot independently verify the Oil and Gas Reserves and Resources in accordance with classification requirements in compliance with NI 51-101 and the Canadian Oil and Gas Evaluation Handbook (“COGEH”). Accordingly, as the Reserves and Resources for PRL 26 and ex PEL’s 91, 106 and 632 reported by Beach and Santos may not be compliant with NI 51-101 Canadian reporting requirements, they should not be relied upon. In addition, Beach refers to Barrels of Oil Equivalent (“BOE”) and, in accordance with Section 5.14(d) of NI 51-101 for Canadian reporting purposes, this disclosure must note that the term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mdf: 1bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead where the Royalty is calculated.

Newport continues to strongly encourage shareholders and potential investors to access information released independently by Beach and Santos in order to keep current during the exploration and development of these licences.

Chu Chua

Newport’s exploration project is the Chu Chua property located in central British Columbia, Canada. A National Instrument 43-101 (“NI 43-101”) technical report is available under the Company’s profile on SEDAR (www.sedar.com) and on its website (www.newport-exploration.com).

Results of Operations

During the three months ended January 31, 2018 (the “current period”), the Company recorded net income of \$1,095,820 compared to net income of \$570,060 for the three months ended January 31, 2017 (the “comparative period”). The significant changes during the current period compared to the comparative period, are as follows:

- The Company recorded income of \$1,924,740 from its Royalty on certain exploration licences in Australia during the current period, an increase from \$1,263,642 earned during the comparative period.
- Income tax expense of \$510,012 was recorded during the current period, an increase from \$305,522 during the comparative period. The change is a result of an increase in Royalty income during the current period.
- A foreign exchange loss of \$19,842 was recorded during the current period compared to a loss of \$59,306 recorded during the comparative period. The change was due to fluctuation between the Australian dollar (the currency in which the Company receives its Royalty income, and pays its Australian taxes) and the Canadian dollar.
- Bonuses were \$Nil during the current period compared to \$125,000 during the comparative period.
- Consulting fees increased to \$91,000 during the current period compared to \$53,500 during the comparative period. Commencing January 2018, the CEO’s fees increased to \$42,000 per month and, \$9,000 in fees were paid to consultants during the current period.

- Management fees increased to \$66,000 during the current period compared to \$48,500 during the comparative period. Commencing January 2018, the CFO's fees increased to \$29,000 per month.
- Share-based payment expense of \$41,716 was recorded during the current period, due to the grant of 300,000 stock options. No such transaction took place during the comparative period.

During the six months ended January 31, 2018 (the "current six-month period"), the Company recorded net income of \$1,845,968 compared to net income of \$1,256,872 for the six months ended January 31, 2017 (the "comparative six-month period"). The significant changes during the current six-month period compared to the comparative six-month period, are as follows:

- The Company recorded Royalty income of \$3,273,306 from certain exploration licences in Australia during the current six-month period, an increase from \$2,531,674 earned during the comparative six-month period.
- Income tax expense of \$855,391 was recorded during the current six-month period, an increase from \$646,227 recorded during the comparative six-month period. The increase is a result of the Company recording a higher net income before income tax during the current six-month period.
- Bonuses were \$Nil during the current six-month period compared to \$125,000 during the comparative six-month period.
- Consulting fees increased to \$151,000 during the current six-month period compared to \$103,750 during the comparative six-month period. Commencing January 2018, the CEO's fees increased to \$42,000 per month and, \$9,000 in fees were paid to consultants during the current six-month period.
- Management fees increased to \$121,500 during the current six-month period compared to \$93,500 during the comparative six-month period. Commencing January 2018, the CFO's fees increased to \$29,000 per month.
- Share-based payment expense of \$41,716 was recorded during the current six-month period, due to the grant of 300,000 stock options. No such transaction took place during the comparative six-month period.

Liquidity and Capital Resources

The Company's working capital position at January 31, 2018 was \$5,926,850 compared to a working capital position of \$4,789,069 at July 31, 2017. As at January 31, 2018, the Company held cash of \$631,568 (July 31, 2017 - \$258,196) and short-term investments of \$3,842,060 (July 31, 2017 - \$2,770,723). The change in cash is from operating activities of \$1,454,836, offset by \$1,711 spent on Chu Chua, and short-term investment purchases of \$1,079,753.

As at January 31, 2018, the Company had current assets of \$6,446,761 (July 31, 2017 - \$4,158,836), total assets of \$8,529,311 (July 31, 2017 - \$6,240,165) and total liabilities of \$519,911 (July 31, 2017 - \$118,449) and no long-term debt.

The principal assets of the Company are cash, royalty receivable, short-term investments and an exploration and evaluation asset.

The Company will be able to meet its expected operating and exploration expenditures through to the end of its 2018 fiscal year end.

Newport has financed its operations through the issuance of common shares, the exercise of stock options, share purchase warrants and, royalty income. The Company may seek capital through various means including the issuance of equity and/or debt in the future for possible acquisitions and development.

Commitments

Newport has management and consulting contracts with a company controlled by Ian Rozier, a director and CEO, and a company controlled by Barbara Dunfield, a director and CFO. The companies are paid a combined total of \$71,000 per month and the contracts remain in force on a continuous basis but can be terminated by Newport with three months written notice. If Newport terminates services of either or both companies, Newport will be obligated to pay 36 months of service fees to either or both companies.

Additionally, on January 3, 2018, the Company, entered into a consulting agreement with a company controlled by a former director of the Company, which pays \$3,000 per month through to December 31, 2018. If termination of services prior to December 31, 2018, the Company will be obligated to pay service fees to the consultant as though the agreement terminated on December 31, 2018.

Quarterly Financial Information

	Three Months Ended January 31, 2018	Three Months Ended October 31, 2017	Three Months Ended July 31, 2017	Three Months Ended April 30, 2017
Total assets	\$ 8,529,311	\$ 6,977,309	\$ 6,240,165	\$ 10,154,984
Working capital	5,926,850	4,789,069	4,040,387	8,055,770
Net income for the period	1,095,820	750,148	600,574	549,761
Earnings per share – basic	0.01	0.01	0.01	0.01
Earnings per share – diluted	0.01	0.01	0.01	0.01

	Three Months Ended January 31, 2017	Three Months Ended October 31, 2016	Three Months Ended July 31, 2016	Three Months Ended April 30, 2016
Total assets	\$ 9,599,472	\$ 9,054,020	\$ 8,409,960	\$ 17,401,639
Working capital	7,496,788	6,926,191	6,239,342	15,051,463
Net income for the period	570,060	686,812	421,367	471,234
Earnings per share – basic	0.01	0.01	0.00	0.01
Earnings per share – diluted	0.01	0.01	0.00	0.00

The discussion below does not provide an analysis on future trends of Newport's Royalty income. As the Company has no knowledge of, or the data to predict, any future income from its Royalty, it can only report on the factual quarterly receipts and historic receipts. Outside of the public information disclosed by the underlying petroleum producers (Beach and Santos), the Company has no additional information to analyse and, without meaningful data, is unable to provide a supported and rational analysis of the prospects of potential future Royalty payments.

Fiscal 2018

During the three months ended January 31, 2018, the Company recorded net income of \$1,095,820, comprised of Royalty income of \$1,924,740, interest income of \$20,517, offset by operating expenses of \$339,425, and income tax expense of \$510,012. The increase in net income from the previous quarter is a result of an increase in Royalty income.

During the three months ended October 31, 2017, the Company recorded net income of \$750,148, comprised of Royalty income of \$1,348,566, interest income of \$16,446, offset by operating expenses of \$269,485, and income tax expense of \$345,379. The increase in net income from the previous quarter is a result of an increase in Royalty income.

Fiscal 2017

During the three months ended July 31, 2017, the Company recorded net income of \$600,574, comprised of Royalty income of \$1,127,908, interest income of \$21,365, offset by operating expenses of \$299,349, and income tax expense of \$249,350. The increase in net income from the previous quarter is a result of an increase in Royalty income, offset by increases in income tax expenses and operating costs.

During the three months ended April 30, 2017, the Company recorded net income of \$549,761, comprised of Royalty income of \$889,947, interest income of \$80,730, offset by operating expenses of \$213,962, and income tax expense of \$206,954. The decrease in net income from the previous quarter is a result of a decrease in Royalty income, offset by decreases in income tax expense.

During the three months ended January 31, 2017, the Company recorded net income of \$570,060, comprised of Royalty income of \$1,263,642, interest income of \$26,425, offset by operating expenses of \$414,485 and income tax expense of \$305,522. The decrease in net income from the previous quarter is a result of a slight increase in operating expenses.

During the three months ended October 31, 2016, the Company recorded net income of \$686,812, comprised of Royalty income of \$1,268,032, interest income of \$5,608, offset by operating expenses of \$246,123 and income tax expense of \$340,705. The increase in net income from the previous quarter is a result of an increase in Royalty income.

Fiscal 2016

During the three months ended July 31, 2016, the Company recorded net income of \$421,367. This amount comprises Royalty income of \$988,927, offset by operating expenses of \$298,941, net investment redemption charges applied against interest income of \$38,543 and income taxes of \$230,076. The decrease in net income from the previous quarter is a result of the early redemption of short term investments used to pay the special dividend, an increase in operating expenses mainly due to professional fees and offset by an increase in Royalty income of \$114,701.

During the three months ended April 30, 2016, the Company recorded net income of \$471,234. This amount comprises Royalty income of \$874,226, and interest income of \$59,616, offset by operating expenses of \$253,466 and income taxes of \$209,140. The change in net income from the previous quarter's net income is a result of a decrease in overall operating expenses of \$764,820, and Royalty income of \$366,461 and offset by an increase in income taxes of \$95,452.

Related Party Transactions

During the six months ended January 31, 2018, the Company entered into the following transactions with related parties:

- a) Paid consulting fees of \$142,000 (2017 - \$103,750) to a company controlled by Ian Rozier, Director, President and C.E.O. of the Company.
- b) Paid management fees of \$121,500 (2017 - \$93,500) to a company controlled by Barbara Dunfield, Director and C.F.O. of the Company.
- c) Paid bonus of \$Nil (2017 - \$75,000) to a company controlled by Ian Rozier, Director, President and C.E.O. of the Company.
- d) Paid bonus of \$Nil (2017 - \$50,000) to a company controlled by Barbara Dunfield, Director and C.F.O. of the Company.
- e) Paid rent of \$39,000 (2017 - \$31,500) to a company controlled by Ian Rozier.
- f) Paid or accrued directors' fees of \$15,833 (2017 - \$10,834) to Merfyn Roberts a Director of the Company.
- g) Paid or accrued directors' fees of \$5,833 (2017 - \$Nil) to James Robertson a Director of the Company.
- h) Paid or accrued directors' fees of \$10,000 (2017 - \$10,834) to David Cohen, a former Director of the Company.
- i) Recorded share-based payment expense of \$41,716 (2017 - \$Nil) in conjunction with the granting of stock options to a director of the Company.

The following amounts, with respect to the above transactions, are owing to related parties as at January 31, 2018:

- a) \$Nil (July 31, 2017 - \$5,000) to David Cohen, a former director of the Company
- b) \$5,833 (July 31, 2017 - \$Nil) to James Robertson, a director of the Company
- c) \$5,833 (July 31, 2017 - \$5,000) to Merfyn Roberts, a director of the Company
- d) \$23,100 (July 31, 2017 - \$Nil) to a company controlled by Ian Rozier, a director and CEO of the Company
- e) \$11,025 (July 31, 2017 - \$Nil) to a company controlled by Barbara Dunfield, a director and CFO of the Company

These amounts are non-interest bearing, unsecured and paid in the ordinary course of business.

Key management personnel compensation disclosed above (including senior officers and directors of the Company):

	January 31, 2018	January 31, 2017
Fees for services	\$ 263,500	\$ 322,250

Financial and Capital Risk Management

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The fair value of short term investments was \$3,842,060 at January 31, 2018 (July 31, 2017 - \$2,770,723), a level 1 fair value measurement.

Financial risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short-term investments and receivables, the carrying value totalling \$6,426,155 at January 31, 2018, represents the Company's maximum exposure to credit risk. Management believes that the credit risk concentration with respect to financial instruments is remote because cash and short-term investments are held with reputable Canadian financial institutions. Receivables consist mainly of the Company's royalty income. The royalty income mainly comes from one company, and is typically received within 30 days after the quarter of production. The Company does not consider any of its current receivables past due. The Company believes any credit risk associated with its receivables is remote due to the historical success of collecting receivables.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure sufficient funds to meet liabilities when due. As at January 31, 2018, the Company had a cash balance of \$631,568 (July 31, 2017 - \$258,196), receivables of \$1,952,527 (July 31, 2017 - \$1,123,048) and short-term investments of \$3,842,060 (July 31, 2017 - \$2,770,723) to settle current liabilities of \$519,911 (July 31, 2017 - \$118,449). All of the Company's financial liabilities are subject to normal trade terms.

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. These fluctuations may be significant.

a) Interest rate risk

The Company has cash balances and short-term investments. The Company's current policy is to invest excess cash in investment-grade short-term deposits certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The effect on net income and comprehensive net income of a 1% change in interest rates is approximately \$38,000.

b) Foreign currency risk

The Company is exposed to foreign currency risk with respect to its petroleum royalty payment, its income tax receivable and its income tax payable which are denominated in Australian dollars. The net effect on net income and comprehensive net income of a 1% change in exchange rates between the Australian dollar and Canadian dollar foreign exchange is approximately \$15,000. The Company does not currently hedge exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the amount of petroleum royalty payment received and the economics of development of its mineral property. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

Capital management

Newport's objectives when managing capital is to pursue the exploration and evaluation of its mineral property, possibly acquire additional mineral property interests and to maintain a flexible capital structure to optimize the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

Newport manages the capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company monitors its expenditures against its available capital.

The Company is currently not subject to externally imposed capital requirements and there are no changes in its approach to capital management.

Future Accounting Pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective. The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements:

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which will supersede IAS 18 – Revenue and related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on August 1, 2018.

IFRS 9 – Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in

IAS 39. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on August 1, 2018.

IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16 – Leases, which will supersede IAS 17 – Leases. The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on August 1, 2019.

The extent of the impact of adoption of these standards has not yet been determined.

Risk, Uncertainties and Outlook

As a company in the mineral resource acquisition and exploration industry, Newport is exposed to a number of risks, including the financial risks associated with no operating cash flow and the potential need to access the capital markets to finance its activities.

The Company has no ability to determine the quantum or sustainability of future Royalty payments from its oil and gas interests in Australia. Where Royalties received on incidental production from exploration/appraisal wells, such Royalties are treated by the Company as fortuitous cash receipts. In the absence of detailed technical information such as sales prices, well costs, initial flow rates, decline rates, transport infrastructure, capacity availability, water cuts or netbacks with which to forecast well economics and potential production over time, no guidance can be provided with respect to any potential future Royalty receipts.

Furthermore, there is also the uncertainty as to the Operators' planning of future production in and around the licences in which Newport has a Royalty (including the potential shut-in of producing appraisal wells or the installation of production infrastructure). The Company has no information on the production plans of the Operators and has no input into them.

Unless Newport could clearly determine that there is a degree of certainty with respect to Royalty derived revenues, it cannot predict the prospects for future revenue. Accordingly, the receipts of its Royalty payments should not be treated as indicative of additional near-term revenue or any future revenues until the Company has appropriate information to support or validate this.

There can be no assurances Newport will continue to receive future Royalties or be able to access the capital markets for the funding necessary to acquire and maintain its exploration property and to carry out exploration programs.

Newport is 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.

When acquiring a property of merit within the resource industry, Newport competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurance that the Company will be able to execute its exploration programs on proposed schedules and within 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, to provide essential supplies and services.

Newport'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. Inability 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 has no off-balance sheet arrangements or commitments as of the date of this MD&A.

Contingencies

Newport is not aware of any contingencies or pending legal proceedings against the Company as of the date of this MD&A.

Proposed Transactions

The Company has not entered into any proposed transactions as of the date of this MD&A.

Investor Relations

The Company has not entered into any investor relations agreements as of the date of this MD&A.

Special Dividends

On July 7, 2017, the Company paid a special cash dividend of \$0.05 per share to holders of its common shares. A total dividend of \$4,616,494 was paid and designated as an "eligible dividend" for Canadian income tax purposes.

On July 7, 2016, the Company paid a special cash dividend of \$0.10 per share to the holders of its common shares. A total dividend of \$9,232,987 was paid and designated as an "eligible dividend" for Canadian income tax purposes.

Current Share Data

As at March 16, 2018, the Company had 92,329,874 common shares outstanding and the following outstanding options and warrants:

Outstanding Options:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
5,800,000	\$0.05	December 19, 2018
1,650,000	\$0.335	December 13, 2019
1,300,000	\$0.255	October 8, 2020
50,000	\$0.27	March 1, 2022
300,000	\$0.215	December 19, 2022

Outstanding Warrants:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
6,000,000	\$0.14	March 7, 2019

Disclaimer

The information provided in this management discussion and analysis 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 at 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 may be 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 licences for the Company's operations in the jurisdictions in which it may operate.