NEWPORT EXPLORATION LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

Three Months Ended October 31, 2014

This management's discussion and analysis of financial position and results of operations ("MD&A") is prepared as at December 22, 2014 and should be read in conjunction with the unaudited condensed interim financial statements for the three months ended October 31, 2014 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, 2014 audited annual financial statements and the accompanying notes.

Management is responsible for the preparation and integrity of the 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 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 408-837 West Hastings Street, Vancouver BC, Canada V6C 3N6. The Company's web site 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 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.

Restatement of prior periods

The Company has restated its comparative figures for the three month periods ended October 31, 2013 and January 31, 2014. The restatement relates to the current income tax expense on the Company's operations. The current income tax rate for Canadian companies located in the Province of British Columbia is approximately 26%. The Company recalculated its tax base on its income from operations and $218,000 of income tax expense should have been recorded during the three months ended October 31, 2013, and $970,000 during the three months ended January 31, 2014.

Overview

Oil and Gas Royalty Interests

The Company holds a 2.5% gross overriding royalty on several oil and gas exploration and production licences in the Cooper Basin, Australia. These licences are being operated by Beach Energy Ltd (“Beach”) in Joint Venture with Drillsearch Energy Limited (“Drillsearch”), and Santos Ltd (“Santos”), with the most active licences currently being PEL 91 and PEL 106.

The gross overriding royalty is a non-operating interest and the Company is therefore not informed of any decisions that may be made concerning the operations or intentions of Beach, Drillsearch and Santos and, consequently cannot speculate on production, development plans, or potential revenues. Interested shareholders and potential investors are encouraged to access the information released independently by Drillsearch, Beach and Santos.

In May, 2014 both Drillsearch and Beach released information that made several references to their activities on PEL 91 (Beach as operator 40% and Drillsearch 60%) and prior to the year-end, the Company provided an update on the royalties pursuant to a publicly released Quarterly Report by Drillsearch as it considered that several aspects of the exploration and developments on PEL 91 and PEL 106 might result in growth in future royalty proceeds, although the Company further stated that timing and associated revenues could not be accurately predicted.

The Company provided an update on the oil and gas licences as reported by Beach in its full year presentation on August 25th, 2014 entitled “1P, 2P, and 3P Reserves and 2C contingent Resources as at 30th June, 2014”. The Beach information made reference to Reserves and Resources on PEL 91 and PEL 106. Beach provided a breakdown of 2P Reserves by individual licence, including estimated Reserves on PEL 91 and PEL 106, as well as a breakdown of 1P, 2P and 3P Oil Reserves at the Stunsail and Pennington fields within PEL 91.

The Reserve classification system being used by Beach for Reserve Estimation is governed by the *“Reserves and Resources Disclosure Rules for Mining and Oil and Gas Companies*” as required by the Australian Securities Exchange Rules and in compliance with the Petroleum Resources managements System (“SPE-PRMS”) guidelines, an internationally recognized Reserve Classification system for Oil and Gas Properties.

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 PEL 91 and PEL 106 reported by Beach are not necessarily compliant with NI 51-101 Canadian reporting requirements, and as such should not be relied upon. In addition, the Beach release refers to Barrels of Oil Equivalent (“BOE”). 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 Company’s royalty is calculated.

Beach disclosed that over the Beach FY15, it plans a 500km^2 3D seismic program and a proposed 19 well exploration, appraisal and development program for PEL 91. On PEL 106, Beach disclosed a 4 well program of 3 exploration wells and 1 appraisal well.

The Company continues to strongly encourage shareholders and potential investors to access information released independently by Beach, Drillsearch and Santos in order to keep current during an active period in the exploration and development of these permits.

Chu Chua

On August 22, 2014, the Company reported that as a result of a review by the British Columbia Securities Commission ("BCSC"), it had filed an amended National Instrument 43-101 ("NI 43-101") on Chu Chua in central British Columbia, as prepared by Apex Geoscience Ltd. A copy of the amended technical report is available under the Company's profile on SEDAR (www.sedar.com) and on the Company's website (www.newport-exploration.com).

The amended technical report contains revised grade 'cut-off' tables to provide clarity, a revised author's certificate, additional text clarifying the block modelling of resources, additional clarification of drill hole spacing, and revised table numbering and pagination to provide further clarity for readers.

The revisions do not result in any changes to the resource estimates at Chu Chua.

Shareholder Rights Plan

On May 13, 2014, the TSX Venture Exchange accepted for filing the Company's adoption of a Rights Plan (the "Plan") which was subject to shareholder approval at the Annual General Meeting. The Plan was approved at the Company's Annual General Meeting, held on November 12, 2014.

The Plan encourages fair treatment of shareholders should a takeover bid be made for Newport, and will provide the Company's Board and shareholders more time consider an unsolicited takeover bid for the Company. The Plan is intended to discourage coercive or unfair bids, and gives the Board time to pursue alternatives to maximize shareholders' value, if appropriate, in the event of an unsolicited takeover bid.

To implement the Plan, the Board authorized the issuance of one right to purchase one common share (a "Right") of each common share of the Company's outstanding shares to shareholders of record. One Right will also be issued in conjunction with each common share of the Company issued while the Plan is in effect. A Right will be evidenced by a certificate per common share and will not be transferable separately from the common share.

The Plan encourages a potential acquirer who makes a take-over bid to proceed either by way of a "Permitted Bid" or with the concurrence of the Board. A Permitted Bid is a bid made by way of a take-over bid circular to all holders of the Company's common shares which is open for acceptance for not less than 60 days. If, at the end of 60 days at least 50% of the outstanding shares, other than those owned by the offeror and certain related parties, have been tendered, the offeror may accept and pay for the shares tendered but must extend the bid for a further 10 days to allow other shareholders to tender. If a take-over bid fails to meet the minimum standards of the Rights Plan and is not waived by the Board, each Right would, upon exercise, entitle a Rights holder, other than the acquiror and certain related parties of the acquirer to purchase additional common shares at a significant discount to market, thus exposing the acquirer to a substantial dilution of its holding.

Normal Course Issuer Bid

During the three months ended October 31, 2014, the Company announced that it had received TSX Venture Exchange approval to make a normal course issuer bid ("NCIB") for up to 4,025,444 shares of the Company over a period of one year (the "Bid Period") representing 5% of the Company's outstanding common shares and that the NCIB will stay in effect until August 31, 2015 or until such time that the Company has acquired the common shares available under the NCIB policy. NCIB purchases will be made on the TSX Venture Exchange and shares will be purchased only as open market transactions conducted at the market price at the time of acquisition. The

Company appointed PI Financial Corp as its broker to conduct NCIB transactions and share purchase transactions will be subsequently cancelled.

The Company believes that its shares are currently undervalued and that the repurchase of its shares is an appropriate use of corporate funds.

During the three months ended October 31, 2014, the Company purchased 709,000 shares of the Company for $252,960. Subsequent to October 31, 2014, the shares were cancelled. Subsequent to October 31, 2014, the Company purchased 1,420,000 shares of the Company for $490,375; 660,000 of these shares have been cancelled.

Results of Operations

During the three months ended October 31, 2014 (the "current period"), the Company recorded net income of $1,762,404 compared to net income of $2,715,827 for the three months ended October 31, 2013 (the "comparative period"). The significant changes during the current period compared to the comparative period, are as follows:

- The Company recorded income of $2,159,139 from its 2.5% gross overriding petroleum royalty on certain exploration licences in Australia during the current period, a decrease from $2,936,668 earned during the comparative period. The decrease is a result of a decrease in petroleum prices and a decrease in sales of petroleum.

- Income tax expense of $492,740 was recorded during the current period, an increase from $218,000 during the comparative period. The increase is a result of the Company having utilized its non-capital loss carry-forwards and other tax deductions during the year ended July 31, 2014.

- Income tax recovery of $353,990 was recorded during the current period as a result of a change in estimates relating to certain tax credits the Company had accumulated from earlier operations in Australia. No such transaction took place in the comparative period.

- Interest income of $90,997 was earned during the current period on cash held in short-term investments. This compares to interest income of $27,942 earned during the comparative period. The change is due to an increase in short-term investments and cash equivalents held by the Company.

- A foreign exchange loss of $55,260 was recorded during the current period compared to a foreign exchange gain of $113,889 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 the Canadian dollar.

- Professional fees increased to $154,403 during the current period compared to $7,142 for the comparative period. This change was attributable to an increase in legal fees with the engagement of Australian legal counsel to oversee the Company's petroleum royalties and respective tax issues. The increase is also the result of legal fees incurred relating to a possible class action lawsuit filed against the Company (see Contingencies below).

Liquidity and Capital Resources

The Company's working capital position at October 31, 2014 was $20,145,610 as compared to a working capital position of $18,637,204 at July 31, 2014. As at October 31, 2014, the Company held cash and equivalents of $371,271 (July 31, 2014 - $1,754,167) and short-term investments of $18,238,496 (July 31, 2014 - $16,001,512). The change in cash and equivalents is primarily a result of the $1,108,480 provided by operating activities (net of $2,202,010 paid for income taxes) which was offset by $1,432 spent on Chu Chua, a $2,236,984 increase in short-term investments and the repurchase of treasury shares of $252,960.

As at October 31, 2014, the Company had current assets of $20,746,638 (July 31, 2014 - $21,267,172), total assets of $22,831,589 (July 31, 2014 - $23,734,086) and total liabilities of $601,028 (July 31, 2014 - $2,629,968). The Company has no long-term debt.

The principal assets of the Company are cash and equivalents, 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 2015 fiscal year end.

The Company has financed its operations to date primarily through the issuance of common shares and the exercise of stock options and share purchase warrants and, recently, royalty income received. The Company may seek capital through various means including the issuance of equity and/or debt in the future.

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.

Commitments

a) The Company leases office premises under an operating lease with a company controlled by a director. The lease provides for basic lease payments of $6,050 per month to March 2015. The lease provides for basic lease payments as follows:

2015	$ 30,250

b) The Company entered into management and consulting contracts with companies having a director and an officer in common. The Company has agreed to pay the companies a combined total of $27,500 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 of either or both companies is without cause, the Company will be obligated to pay 36 months of service fees to the director's and officer's companies.

Quarterly Financial Information

	Three Months Ended October 31, 2014	Three Months Ended July 31, 2014	Three Months Ended April 30, 2014	Three Months Ended January 31, 2014
Total assets	$ 22,831,589	$ 23,734,086	$ 20,078,603	$ 14,950,966
Working capital	20,145,610	18,637,204	16,084,913	12,832,326
Net income for the period	1,762,404	2,557,859	2,246,164	2,276,944
Earnings per share – basic	0.02	0.03	0.03	0.04
Earnings per share – diluted	0.02	0.01	0.03	0.04

	Three Months Ended October 31, 2013	Three Months Ended July 31, 2013	Three Months Ended April 30, 2013	Three Months Ended January 31, 2013
Total assets	$ 11,434,756	$ 8,283,576	$ 6,606,281	$ 6,149,891
Working capital	9,350,699	7,922,119	6,241,107	6,031,515
Net income for the period	2,715,827	1,659,544	459,442	72,980
Earnings per share – basic	0.05	0.03	0.01	0.00
Earnings per share – diluted	0.04	0.03	0.01	0.00

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

Fiscal 2015

During the three months ended October 31, 2014, the Company recorded net income of $1,762,404. This amount is derived from petroleum royalty income of $2,159,139, income tax recovery of $353,990 and interest income of $90,997, offset by operating expenses of $348,982, and income tax expense of $492,740. During the previous quarter, the Company recorded net income of $2,557,859. The difference was primarily due to a decrease of $1,319,215 in petroleum royalty income received and, an increase in professional fees, offset by an income tax recovery of $353,990. The increase in professional fees is a result of the Company incurring legal fees relating to tax treatment of its oil and gas royalty income and for the class action lawsuit against the Company.

Fiscal 2014

During the three months ended July 31, 2014, the Company recorded net income of $2,557,859. This amount is derived from petroleum royalty income of $3,478,353 and interest income of $75,221, offset by operating expenses of $325,715 and income tax expense of $670,000. During the previous quarter, the Company recorded net income of $2,246,164. The difference was primarily due to an increase of $477,019 in petroleum royalty income received, offset by an increase in income tax expense of $140,800 and an increase in operating expenses of $214,344 during the three months ended July 31, 2014. The increase in operating expenses relates primarily to an increase in professional fees due to the Company accruing $18,000 for its annual audit, plus an increase in legal fees relating to tax treatment of its oil and gas royalty income.

During the three months ended April 30, 2014, the Company recorded net income of $2,246,164. This amount was derived from petroleum royalty income of $3,001,334, interest income of $54,201, less operating expenses of $111,371 and income tax expense of $698,000. During the previous quarter, the Company recorded net income of $2,276,944. This amount was derived from petroleum royalty income of $3,704,296, interest income of $34,746, less operating expenses of $492,098 and income tax expense of $970,000. The difference was primarily due to petroleum royalty income received during the three months ended April 30, 2014, offset by a decrease in income tax expense. The decrease was offset by an increase in share-based payment expense of $253,397, a non-cash expense, recorded in the previous quarter for the grant of six million stock options.

During the three months ended January 31, 2014, the Company recorded net income of $2,276,944. This amount was derived from petroleum royalty income of $3,704,296, interest income of $34,746 less operating expenses of $492,098 and income tax expense of $970,000. During the previous quarter, the Company recorded net income of $2,715,827. This amount was derived from petroleum royalty income of $2,936,668, interest income of $27,942 less operating expenses of $30,783 and income tax expense of $218,000. The difference was primarily due to an increase in petroleum royalty income accrued in the current quarter offset by an increase in income tax expense as the Company utilized all of its tax allowances in the prior quarter. The difference in operating expenses was due to a foreign exchange loss between the Canadian dollar and the Australian dollar in the current quarter of $37,343 compared to a foreign exchange gain of $113,889 in the prior quarter. In addition, the Company incurred share-based compensation expense, a non-cash expense in the amount of $253,397 in the current quarter attributable to the grant of six million stock options.

During the three months ended October 31, 2013, the Company recorded net income of $2,715,827. This amount was derived from petroleum royalty income of $2,936,668, interest income of $27,942, less operating expenses of $30,783 and income tax expense of $218,000. The difference was primarily due to an increase in petroleum royalties accrued during this quarter offset by an increase in income tax expense as the Company utilized all of its tax loss carry-forwards in the prior quarter. The difference in operating expenses was due to a foreign exchange loss between the Canadian dollar and the Australian dollar during this quarter of $37,343 compared to a foreign exchange gain of $113,889 during the prior quarter. In addition, the Company incurred share-based compensation expense, a non-cash expense, in the amount of $253,397 during quarter, for the grant of six million stock options.

Fiscal 2013

During the three months ended July 31, 2013, the Company recorded net income of $1,659,544. Net income was derived from petroleum royalty income of $1,890,050, interest income of $26,295, less operating expenses of $256,801. The increase in income of $1,200,102 over the prior quarter was primarily due to an increase in petroleum royalty income accrued during the quarter offset by an increase in income tax expense. The difference in operating expenses was due to a foreign exchange gain recorded during this quarter of $113,889 compared to a foreign exchange loss of $114,473 recorded in the prior quarter.

During the three months ended April 30, 2013, the Company recorded net income of $459,442. This amount was derived from petroleum royalty income of $570,071, interest income of $22,441, less operating expenses of $133,070. The difference was primarily due to an increase in petroleum royalty income accrued during this quarter. The difference in operating expenses was due to a foreign exchange loss between the Canadian dollar and the Australian dollar in this quarter of $114,473 compared to a foreign exchange loss of $2,728 in the prior quarter.

During the three months ended January 31, 2013, the Company recorded net income of $72,980. This amount was derived from petroleum royalty income of $186,790, interest income of $23,097, less operating expenses of $136,907.

Related Party Transactions

During the three months ended October 31, 2014, the Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $45,000 (2013 - $45,000) to a company controlled by Ian Rozier, Director, President and C.E.O. of the Company.

b) Paid or accrued management fees of $37,500 (2013 - $30,000) to a company controlled by Barbara Dunfield, Director and C.F.O. of the Company.

c) Paid or accrued rent of $18,150 (2013 - $18,150) to a company controlled Ian Rozier.

d) Paid or accrued directors' fees of $10,000 (2013 - $5,000) to Merfyn Roberts and David Cohen, Directors of the Company.

e) Paid or accrued professional fees of $42,740 (2013 - $2,642) to McMillan LLP ("McMillan") a legal firm of which David Cowan, the Company's Corporate Secretary, is a partner.

f) Paid or accrued consulting fees of $nil (2013 - $6,000) to a company controlled by David Cohen.

As at October 31, 2014, accounts payable and accrued liabilities included $18,496 (July 31, 2014 - $17,016) owing to Merfyn Roberts, David Cohen, and to McMillan.

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

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

The following is an analysis of the Company's financial instruments measured using the fair value hierarchy as at October 31, 2014 and July 31, 2014:

	As at October 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash and equivalents	$ 371,271	$ -	$ -
Short-term investments	$ 18,238,496	$ -	$ -

	As at July 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash	$ 1,754,167	$ -	$ -
Short-term investments	$ 16,001,512	$ -	$ -

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. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because instruments are due primarily from government agencies and cash and short-term investments are held with reputable Canadian financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at October 31, 2014, the Company had a cash and equivalents balance of $371,271 (July 31, 2014 - $1,754,167) and short-term investments of $18,238,496 (July 31, 2014 - $16,001,512) to settle current liabilities of $601,028 (July 31, 2014 - $2,629,968). To maintain liquidity, the Company is continually investigating financing opportunities. As disclosed in Note 1, there can be no assurance these efforts will be successful in the future. 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 and equivalents balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit 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 of a 1% change in interest rates on the Company's short-term investments is approximately $182,000.

b) Foreign currency risk

The Company is exposed to foreign currency risk with respect to its petroleum royalty income which is denominated in Australian dollars. The effect of a 1% change in exchange rates between the Australian dollar and Canadian dollar foreign exchange on the Company's royalty receivable is approximately $21,000. The Company does not currently hedge exchange risk. The majority of its transactions are denominated in Canadian dollars.

c) Price risk

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

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of equity.

The Company 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 attempt to 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 prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

Adoption of Accounting Standards

The following standards and amendments to existing standards have been adopted by the Company commencing August 1, 2014:

IAS 32 (Amendment) Offsetting Financial Assets and Financial Liabilities

The amendment to IAS 32, Financial Instruments: Presentation, requires that financial asset and financial liability should only be offset and the net amount reported when an entity has a legal enforceable right to set off the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The adoption of this amendment has no effect on the Company's financial statements.

Several other new standards and amendments apply for the first time in fiscal 2015, however, they are not applicable to the financial statements of the Company.

Future Accounting Pronouncements

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements

i) IFRS 7 (Amendment): Standard amended to clarity requirements for mandatory effective dates and transition disclosures, effective for annual periods beginning on or after January 1, 2015;
ii) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018.

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 may 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 over which the Company has a 2.5% gross overriding royalty. The reported royalties are treated by the Company as fortuitous cash receipts from royalties received on incidental production from exploration/appraisal wells. 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 licenses in which the Company has royalty interests (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.

Until such time as the Company can 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 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 the Company will continue to receive future petroleum royalties or be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out 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 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 resource 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 administrating 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 has no off-balance sheet arrangements or commitments as of the date of this MD&A.

Contingencies

The Company has been served with a Notice of Civil Claim (the "Claim") brought under the B.C. Class Proceedings Act and filed in the British Columbia Supreme Court. The Claim has not yet been certified as a class proceeding and as such no trial date has been determined.

The Claim alleges that the Company failed to generally disclose a material change in its affairs relating to a royalty held by the Company on certain oil and gas properties in Australia. The Company believes that the claim is without merit, and intends to vigorously defend the claim.

The Company is not aware of any other contingencies or pending legal proceedings 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.

Royalty Income

On November 28, 2014, the Company was notified of, and received its, 2.5% gross overriding petroleum royalty income for the first quarter of fiscal 2015, a total of $2,126,952 (AUD $2,160,219).

Option Grant

On December 12, 2014, the Company granted 1,700,000 stock options to directors, officers and a consultant to the Company, exercisable at $0.335 per share until December 13, 2019.

Current Share Data

As at December 22, 2014, the Company had 79,139,874 common shares outstanding and the following outstanding options and warrants:

Outstanding Options:

Number of Options	Exercise Price	Expiry Date
5,850,000	$0.05	December 19, 2018
1,700,000	$0.335	December 13, 2019

Outstanding Warrants:

Number of Warrants	Exercise Price	Expiry Date
20,000,000	$0.14	March 7, 2019

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.