



NEWPORT

EXPLORATION LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

Year Ended July 31, 2021

The following management's discussion and analysis of financial results ("MD&A") prepared as of October 28, 2021 should be read in conjunction with the audited financial statements of Newport Exploration Ltd. ("Newport" or the "Company") for the year ended July 31, 2021, together with the related notes thereto. The audited financial statements are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in Canadian dollars unless otherwise indicated.

Management is responsible for the preparation and integrity of the annual 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 on SEDAR at www.sedar.com or by contacting the Company's head office at Suite 202-2168 Marine Drive, West Vancouver BC, Canada V7V 1K3. 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 interest (the "Royalty") on any hydrocarbons produced on certain petroleum exploration and production licences in Australia.

Newport is a reporting issuer in British Columbia, Alberta and Saskatchewan and trades on the TSX Venture Exchange (TSX-V) under the symbol NWX.

Quarterly Dividend Policy

On December 12, 2019, the Company announced a quarterly 'fixed distribution' dividend of \$0.01 per share commencing March 2020, with subsequent dividend payments every three months. The Company reserves the right to increase the dividend payment from time to time. Sufficient funds will be retained in the treasury to maintain the dividend schedule in the event that royalty receipts are reduced for any reason.

Management believes that stability, profitability, and paying shareholder dividends quarterly has been a responsible corporate strategy. Additionally, Management recognizes that the Company's ability to pay over the long term is very important to existing shareholders and potential investors.

Overview

Oil and Gas Royalty Interests

- ❖ The Company’s Royalty on several oil and gas exploration and production licences in the Cooper Basin, NSW, Australia are operated by Beach Energy Ltd. (“Beach”) or Santos Ltd (“Santos”).

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

The Company does not have access to underlying technical data and cannot independently verify the Oil and Gas Reserves and Resources in accordance with classification requirements compliant 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, 107 and 632 reported by Beach and Santos may not be compliant with 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 mineral exploration project is the Chu Chua property (“ChuChua”), located in central British Columbia, Canada. A National Instrument 43-101 technical report is available under the Company’s profile on SEDAR (www.sedar.com) and on its website (www.newport-exploration.com).

Annual Financial Information

Year Ended	July 31, 2021	July 31, 2020	July 31, 2019
Financial Results			
Dividend distribution	\$ 7,379,091	\$ 8,354,389	\$ 5,153,194
Petroleum Royalty income for the year	10,575,708	10,751,923	9,740,797
Net income for the year	6,229,893	5,938,260	5,606,005
Net income per share – basic	0.06	0.06	0.06
Net income per share – diluted	0.06	0.06	0.06
Financial Position			
Working capital position	\$ 7,576,396	\$ 8,428,478	\$ 9,219,668
Total assets	8,118,090	8,653,228	10,866,954
Share capital	47,906,989	47,420,898	47,420,898
Deficit	(42,535,113)	(41,385,915)	(38,969,786)

Results of Operations

During the year ended July 31, 2021 (the “current year”), the Company recorded net income of \$6,229,893 compared to net income of \$5,938,260 during the year ended July 31, 2020 (the “comparative year”). The significant changes during the current year and the comparative year, are as follows:

- The Company recorded Royalty income of \$10,575,708 from its Royalty licences in Australia during the current year, a decrease from \$10,751,923 recorded during the comparative year, is a result of a decrease in production, partially offset by an increase in realized oil prices.
- Income tax expense of \$2,795,789 was recorded during the current year, a decrease from \$2,892,035 recorded during the comparative year. The decrease is due to a lower Royalty payments recorded during the year.
- Share-based payments, a non-cash expense was \$614,091 in the comparative year, is caused by the grant on 9,075,000 stock options with an exercise price of \$0.40 per share. No such transaction took place in the current year.
- Foreign exchange loss of \$97,700 was recorded during the year, a decrease from a gain of \$26,048 recorded during the comparative year. The change in foreign exchange is a result of the fluctuation of Canadian and Australian currency.

Fourth Quarter Results

During the three months ended July 31, 2021 (“current period”), the Company recorded net income of \$1,630,911 compared to \$1,127,845 for the three months ended July 31, 2020 (“comparative period”). The significant changes during the current period compared to the comparative period, are as follows:

- Royalty income in the current period was \$2,854,060, compared to \$1,716,205 in the comparative period.
- Income tax expense of \$737,701 was recorded during the current year, an increase from \$442,553 recorded during the comparative period. The increase is due to a higher Royalty payment recorded during the current period.
- Foreign exchange loss of \$84,343 was recorded during the current period, a decrease from a gain of \$156,957 recorded during the comparative period. The change in foreign exchange results from the fluctuation of Canadian and Australian currencies.

Liquidity and Capital Resources

The Company’s working capital position at July 31, 2021 was \$7,576,396 compared to a working capital position of \$8,428,478 at July 31, 2020. As at July 31, 2021, the Company held cash and equivalents of \$2,860,234 (2020 - \$4,795,013) and short-term investments of \$2,424,537 (2020 - \$2,017,538). The change in cash and equivalents is a result of \$5,575,962 provided by operating activities and the receipt of \$293,250 from the exercise of stock options, offset by dividend distributions totaling \$7,379,091, and \$424,900 for the purchase of short-term investments.

As at July 31, 2021, the Company had current assets of \$8,109,073 (2020 - \$8,640,345), total assets of \$8,118,090 (2020 - \$8,653,288) and total liabilities of \$532,677 (2020 - \$211,867) and 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 expenditures for its 2022 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 could seek capital through various means including the issuance of equity and/or debt in the future for acquisitions.

Commitments

The Company has management and consulting contracts with a company controlled by Ian Rozier, a director and CEO of the Company, and a company controlled by Barbara Dunfield, a director and CFO of the Company. The Company pays the companies a combined total of \$80,325 per month. These contracts remain in force on a continuous basis and can be terminated by the Company with 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 either or both companies.

Quarterly Financial Information

	Three Months Ended July 31, 2021	Three Months Ended April 30, 2021	Three Months Ended January 31, 2021	Three Months Ended October 31, 2020
Total assets	\$ 8,118,090	\$ 8,615,577	\$ 8,187,468	\$ 9,585,793
Working capital	7,576,396	8,056,117	7,535,751	9,227,800
Petroleum Royalty income	2,854,060	2,682,971	2,480,752	2,557,925
Net income for the period	1,630,911	1,575,198	1,474,380	1,549,404
Earnings per share – basic	0.02	0.01	0.01	0.01
Earnings per share – diluted	0.02	0.01	0.01	0.01

	Three Months Ended July 31, 2020	Three Months Ended April 30, 2020	Three Months Ended January 31, 2020	Three Months Ended October 31, 2019
Total assets	\$ 8,653,228	\$ 9,087,653	\$ 8,433,372	\$ 6,140,414
Working capital	8,428,478	8,344,017	7,604,669	4,631,924
Petroleum Royalty income	1,716,205	2,959,013	3,249,784	2,826,921
Net income for the period	1,127,845	1,782,733	1,332,398	1,695,284
Earnings per share – basic	0.01	0.02	0.01	0.02
Earnings per share – diluted	0.01	0.02	0.01	0.02

Quarter to quarter changes in net income are mainly a result of the changes in Royalty payments received by Newport. Royalty income is based on production volumes and oil prices. As the Company has no knowledge of, or the ability 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 analyze, and without these data, is unable to provide a supported analysis of the prospects of future Royalty payments.

During the three months ended July 31, 2021, the Company paid a quarterly dividend of \$0.02 per common share, a distribution of \$2,111,598.

During the three months ended April 30, 2021, the Company paid a quarterly dividend of \$0.01 per common share, a distribution of \$1,055,799.

During the three months ended January 31, 2021, the Company paid a quarterly dividend of \$0.03 per common share, a distribution of \$3,167,396.

During the three months ended October 31, 2020, the Company paid a quarterly dividend of \$0.01 per common share, a distribution of \$1,044,299 and 1,150,000 stock options were exercised for proceeds of \$293,250.

During the three months ended July 31, 2020, the Company paid a quarterly dividend of \$0.01 per common share, a distribution of \$1,044,299.

During the three months ended April 30, 2020, the Company paid a quarterly dividend of \$0.01 per common share, a distribution of \$1,044,299.

During the three months ended January 31, 2020, the Company recognized a share-based payment expense of \$614,091 as a result of granting 3,075,000 stock options, exercisable at \$0.40 per share, for a period of five years.

Related Party Transactions

During the year ended July 31, 2021, the Company entered into the following transactions with related parties:

- a) Paid consulting fees of \$594,075 (2020 - \$504,000), to a company controlled by Ian Rozier, Director, President and C.E.O. of the Company.
- b) Paid management fees of \$407,200 (2020 - \$348,000), to a company controlled by Barbara Dunfield, Director and C.F.O. of the Company.
- c) Reimbursed rent of \$70,516 (2020 - \$90,939) to a company controlled by Ian Rozier.
- d) Paid or accrued directors' fees of \$42,917 (2020 - \$40,000) to Merfyn Roberts a Director of the Company.
- e) Paid or accrued directors' fees of \$42,917 (2020 - \$40,000) to James Robertson a Director of the Company.
- f) Paid or accrued professional fees of \$497 (2020 - \$2,475) to McMillan LLP ("McMillan") a legal firm of which David Cowan, the Company's Corporate Secretary, was a partner.
- g) Recorded share-based payment expense of \$Nil (2020 - \$536,272) in conjunction with the granting of stock options to directors and officers of the company.

The following amounts, with respect to the above transactions, are owing to related parties as at July 31, 2021:

- a) \$7,500 (2020 - \$6,666) to Merfyn Roberts, a director of the Company
- b) \$7,500 (2020 - \$6,666) to James Robertson, a director 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):

	July 31, 2021	July 31, 2020
Fees for services	\$ 1,001,275	\$ 852,000
Share-based payments	-	439,845

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 and equivalents, 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 \$2,424,537 at July 31, 2021 (2020 - \$2,017,538), a level 1 fair value measurement.

Financial risk factors

The Company's Board of Directors has the overall responsibility for the established method and oversight of the Company's risk management framework.

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 financial loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and equivalents, short-term investments and receivables, the carrying value totalling \$8,099,686, 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 equivalents 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. The Company's Royalty receivable at July 31, 2021 was received, net of tax, subsequent to July 31, 2021.

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 July 31, 2021, the Company had a cash and equivalents balance of \$2,860,234 (2020 - \$4,795,013), receivables of \$2,814,915 (2020 - \$1,820,573) and short-term investments of \$2,424,537 (2020 - \$2,017,538) to settle current liabilities of \$532,677 (2020 - \$211,867). 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 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 income of a 1% change in interest rates is approximately \$18,000.

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 income of a 1% change in exchange rates between the Australian dollar and Canadian dollar foreign exchange is approximately \$17,000. The Company does not hedge exchange risk.

Capital management

Newport's objectives when managing capital is 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 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. There were no changes in the Company's approach to capital management.

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 capital markets to finance its activities.

The Company has no ability to determine the quantum or sustainability of future 2.5% gross overriding royalty payments from its oil and gas interests in Australia. 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 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 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 other than what is publicly disclosed, and has no input into them.

Until such time as Newport can clearly determine 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 Newport 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.

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 may compete 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

The Company 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 Dividend

On September 16, 2019, the Company announced the payment of a one-time special dividend of \$0.06 per common share. The special dividend of \$6,265,792 was paid to shareholders of record at the close of business on September 25, 2019.

Quarterly Dividends

On February 10, 2020, the Company announced a quarterly dividend of \$0.01 per common share. The quarterly dividend was paid to shareholders of record at the close of business on February 24, 2020, resulting in a distribution of \$1,044,299 on March 6, 2020.

On May 13, 2020, the Company announced a quarterly dividend of \$0.01 per common share. The quarterly dividend was paid to shareholders of record at the close of business on May 28, 2020, resulting in a distribution of \$1,044,299 on June 10, 2020.

On August 12, 2020, the Company announced a quarterly dividend of \$0.01 per common share. The quarterly dividend was paid to shareholders of record at the close of business on August 26, 2020, resulting in a distribution of \$1,044,299 on September 10, 2020.

On November 12, 2020, the Company announced a quarterly dividend of \$0.03 per common share. The quarterly dividend was paid to shareholders of record at the close of business on November 26, 2020, resulting in a distribution of \$3,167,396 on December 11, 2020.

On February 10, 2021, the Company announced a quarterly dividend of \$0.01 per common share. The quarterly dividend was paid to shareholders of record at the close of business on February 25, 2021, resulting in a distribution of \$1,055,799 on March 12, 2021.

On May 11, 2021, the Company announced a quarterly dividend of \$0.02 per common share. The quarterly dividend was paid to shareholders of record at the close of business on May 26, 2021, resulting in a distribution of \$2,111,597 on June 10, 2021.

On August 11, 2021, the Company announced a quarterly dividend of \$0.02 per common share. The quarterly dividend was paid to shareholders of record at the close of business on August 26, 2021, resulting in a distribution of \$2,111,597 on September 10, 2021.

Current Share Data

As at October 28, 2021, the Company had 105,579,874 common shares outstanding and the following outstanding options and warrants:

Outstanding Options:

Outstanding at October 28, 2021	Outstanding at July 31, 2021	Exercise Price	Expiry Date
8,675,000	8,675,000	\$0.40	December 26, 2024

Outstanding Warrants:

Nil

Disclaimer

The information provided in this management's 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 documents 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.