

NEWPORT EXPLORATION LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the nine months ended April 30, 2013

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at June 28, 2013 and should be read in conjunction with the unaudited condensed interim financial statements for the nine months ended April 30, 2013 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, 2012 annual audited 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 the financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

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

Overview

The Company is earning a 50% interest in Reva Resources Corporation's ("Reva") Chu Chua massive sulphide deposit ("Chu Chua") located approximately 70km north of Kamloops, British Columbia. To earn the interest, the Company needs to carry out and fund the costs of the recommended work program of approximately \$1,070,000, on or before December 31, 2013, of which as at April 30, 2013, \$612,633 has been incurred.

During the nine months ended April 30, 2013, the Company incurred \$4,180 in geological consulting expenditures in connection with Chu Chua.

On March 18, 2013, Reva accepted the sum of \$250,000 from the Company, the receipt of which was acknowledged by Reva as a work program credit of \$500,000 towards the Company's obligation of Claims, as defined in the Property Option Agreement, and in accordance with the provisions of section 2.1 of the Agreement. Reva has confirmed a \$500,000 credit would be applied to the Company's 50% interest earn-in commitment.

Chu Chua is considered to be an early stage project, therefore little is known about the potential mining or metallurgical characteristics of the massive sulphide deposit. Chu Chua is a Cyprus-type volcanogenic massive sulphide body hosted and comprises three closely-spaced, north-south

striking and sub-vertical massive sulphide lenses that outcrop on surface. Historic drilling has intersected mineralization to a depth of 560m vertically, however relatively few drillholes have targeted mineralization below 200m. The results of historic drilling indicate that the mineralized lenses appear to thin at depth however the massive sulphide lenses remain open at depth and along strike.

To date, mineralization has been modeled over a 480m strike length and to a depth of 180m from surface. Additional drilling is warranted to define the extent of near surface mineralization at the north end of the deposit; at depth within and beneath the currently modeled Main Lens; and to the south where limited deep drilling has encountered narrow sulphide intercepts. Given that approximately 75% of the deposit as currently modeled lies within a 100m depth from surface, further drilling and economic studies to determine if all or portion of the Chu Chua may be amenable to open pit extraction are also warranted.

The Company, which has approximately \$6.5 million in the treasury, is able to meet its obligations to fund the work program on Chu Chua. The Company's financial instruments consist of cash, receivables, short-term investments and accounts payable and accrued liabilities and it is management's opinion that the Company is not exposed to any significant credit risks arising from these financial instruments.

Results of Operations

During the three months ended April 30, 2013, the Company recorded net income of \$459,442 compared to a loss of \$109,986 for the three months ended April 30, 2012. The significant changes during the three months ended April 30, 2013 compared to the three months ended April 30, 2012 are as follows:

- Professional fees of \$8,992 were incurred during the three months ended April 30, 2013 compared to \$16,963 incurred during the three months ended April 30, 2012. The change was mainly additional legal fees incurred in connection with reviewing potential project acquisitions during the comparative period. There were no such transactions in the current period.
- Office and miscellaneous costs increased to \$6,715 during the three months ended April 30, 2013 from \$2,432 incurred during the three months ended January 31, 2012. In the current period there was an increase in certain office costs.
- The Company earned \$570,071 from its retained 2.5% petroleum royalty on certain exploration permits in Australia during the three months ended April 30, 2013 an increase from \$5,465 earned during the three months ended April 30, 2012.

During the nine months ended April 30, 2013, the Company recorded net income of \$484,539 compared to a loss of \$340,504 for the nine months ended April 30, 2012. The significant changes during the nine months ended April 30, 2013 compared to the nine months ended April 30, 2012, are as follows:

- Professional fees of \$16,731 were incurred during the nine months ended April 30, 2013 compared to \$42,683 incurred during the nine months ended April 30, 2012. See results of operations for the three months ended April 30, 2013 above, for an explanation of the change.
- Office and miscellaneous costs increased to \$35,582 during the nine months ended April 30, 2013 compared to \$19,807 for the nine months ended April 30, 2012, due to an increase in office costs, Directors insurance premium and a non-recurring health insurance premium.

- Travel and related costs increased to \$15,744 during the nine months ended April 30, 2013 from \$3,974 incurred during the nine months ended April 30, 2012, seeking property acquisitions for the Company during the current period.
- The Company earned \$829,211 from its retained 2.5% petroleum royalty on certain exploration permits in Australia during the nine months ended April 30, 2013 an increase from \$5,465 earned during the nine months ended April 30, 2012.

Liquidity and Capital Resources

The Company's working capital position at April 30, 2013 was \$6,241,107 as compared to a working capital position of \$6,010,256 at July 31, 2012. At April 30, 2013, the Company held cash of \$2,384,956 (July 31, 2012 - \$2,556,163) and short-term investments of \$3,278,607 (July 31, 2012 - \$3,445,275). The change in cash is primarily a result of the \$83,695 used in operating activities and \$254,180 spent on Chu Chua. This was offset by the \$166,668 decrease in short-term investments. Also during the nine months ended April 30, 2013, the Company earned approximately \$829,000 from its oil and gas royalty, of which, approximately \$567,000 is included in accounts receivable at April 30, 2013.

As of April 30, 2013, the Company had current assets of \$6,248,067 (July 31, 2012 - \$6,044,867), total assets of \$6,606,281 (July 31, 2012 - \$6,149,393) and total liabilities of \$6,960 (July 31, 2012 - \$34,611). There is no long-term debt.

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

The Company has sufficient funds on hand to meet its operating expenses for fiscal 2013.

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

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

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

Commitments

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

2013	\$	18,150
2014		72,600
2015		48,400
	\$	<u>139,150</u>

- 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 \$25,000 per month. These contracts remain in force

on a continuous basis. The contracts can be terminated by the Company by providing 90 days written notice. If termination of services is without cause, the Company will be obligated to pay 36 months of service fees to the director's company and 24 months of service fees to the officer's company.

Quarterly Financial Information

	Three Months Ended April 30, 2013	Three Months Ended January 31, 2013	Three Months Ended October 31, 2012	Three Months Ended July 31, 2012
Total assets	\$ 6,606,281	\$ 6,149,891	\$ 6,091,353	\$ 6,149,393
Working capital	6,241,107	6,031,515	5,962,551	6,010,256
Net income (loss) for the period	459,442	72,980	(47,883)	(93,877)
Earnings (loss) per share – basic and diluted	0.01	0.00	(0.00)	(0.00)

	Three Months Ended April 30, 2012	Three Months Ended January 31, 2012	Three Months Ended October 31, 2011	Three Months Ended July 31, 2011
Total assets	\$ 6,269,231	\$ 6,331,272	\$ 6,466,800	\$ 6,594,921
Working capital	6,107,103	6,266,035	6,383,416	6,508,293
Net income (loss) for the period	(109,986)	(117,605)	(112,913)	(103,457)
Earnings (loss) per share – basic and diluted	(0.00)	(0.01)	(0.00)	(0.00)

Fiscal 2013

During the third quarter of fiscal 2013, the Company recorded net income of \$459,442 compared to net income of \$72,980 recorded in the previous quarter. The difference was primarily due to the \$570,071 (previous quarter - \$186,790) petroleum royalty earned in the current quarter.

During the second quarter of fiscal 2013, the Company recorded net income of \$72,980 compared to a loss of \$47,883 recorded in the previous quarter. The difference was primarily due to the \$186,790 (previous quarter - \$72,631) petroleum royalty earned in the current quarter.

During the first quarter of fiscal 2013, the Company recorded a loss of \$47,883 compared to a loss of \$93,877 recorded in the previous quarter. The difference was primarily due to the \$72,631 (previous quarter - \$24,688) petroleum royalty earned in the current quarter.

Fiscal 2012

During the fourth quarter of fiscal 2012, the Company recorded a loss of \$93,877 compared to a loss of \$109,986 recorded in the previous quarter. The difference was primarily due to \$24,688 of petroleum royalty the Company earned during the fourth quarter. Also, during the fourth quarter, the Company incurred \$14,452 in exploration expenditures on Chu Chua and received \$11,292 as a mining tax credit in connection with Chu Chua.

During the third quarter of fiscal 2012, the Company recorded a loss of \$109,986 compared to a loss of \$117,605 recorded in the previous quarter. Additionally, the Company incurred \$49,153 in geological consulting in connection with Chu Chua.

During the second quarter of fiscal 2012, the Company recorded a loss of \$117,605, compared to a loss of \$112,913 recorded in the previous quarter.

During the first quarter of fiscal 2012, the Company recorded a loss of \$112,913, while earning \$21,258 in interest income. Additionally, the Company spent \$12,206 on Chu Chua during this quarter.

Fiscal 2011

During the fourth quarter of fiscal 2011, the Company incurred \$37,642 in geological consulting expenses on Chu Chua. Additionally, the Company earned \$16,194 from its petroleum royalty compared to \$38,716 earned in the previous quarter.

Related Party Transactions

During the six months ended January 31, 2013, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$135,000 (2012 - \$135,000) to a company controlled by Ian Rozier, the President and C.E.O. of the Company.
- b) Paid or accrued management fees of \$90,000 (2012 - \$90,000) to a company controlled by Barbara Dunfield, director and C.F.O. of the Company.
- c) Paid or accrued rent of \$54,450 (2012 - \$54,450) to a company controlled Mr. Rozier.
- d) Paid or accrued directors' fees of \$15,000 (2012 - \$15,000) to Merfyn Roberts, a director of the Company.
- e) Paid or accrued professional fees of \$6,916 (2012 - \$24,353) to McMillan LLP ("McMillan") a legal firm where David Cowan, the Company's corporate secretary, is a partner.
- f) Paid or accrued consulting fees of \$Nil (2012 - \$18,000) to a company controlled by the spouse of David Cohen, director.
- g) Paid or accrued consulting fees of \$18,000 (2012 - \$Nil) to a company controlled by Mr. Cohen.

As at January 31, 2013, accounts payable and accrued liabilities included \$5,807 (July 31, 2012 - \$3,333) owing to Mr. Roberts and to McMillan.

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 April 30, 2013, and July 31, 2012:

	As at January 31, 2013		
	Level 1	Level 2	Level 3
Cash	\$ 2,384,956	\$ -	\$ -
Short-term investments	\$ 3,278,607	\$ -	\$ -

	As at July 31, 2012		
	Level 1	Level 2	Level 3
Cash	\$ 2,556,163	\$ -	\$ -
Short-term investments	\$ 3,445,275	\$ -	\$ -

Financial risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves 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 April 30, 2013, the Company had a cash balance of \$2,384,956 (July 31, 2012 - \$2,556,163) and short-term investments of \$3,278,607 (July 31, 2012 - \$3,445,275) to settle current liabilities of \$6,960 (July 31, 2012 - \$34,611). To maintain liquidity, the Company is continually investigating financing opportunities. As disclosed in Note 1 of the April 30, 2013 unaudited condensed interim financial statements, 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 balances. 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 of a 1% change in interest rates is approximately \$53,000.

b) Foreign currency risk

The Company is not currently exposed to significant foreign currency risk as most 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 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 annual and updated budgets are approved by the Board of Directors.

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

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

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

There is intense competition within the minerals industry to acquire properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the company will be able to execute its exploration programs on its proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, such as the availability of essential supplies and services.

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

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

Off Balance Sheet Arrangements

The Company is not aware of any off balance sheet arrangements or commitments as of June 28, 2013.

Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of June 28, 2013.

Share Capital

As at June 28, 2013, the Company had 54,922,874 common shares outstanding and the following outstanding options:

Outstanding Options:

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

There are no outstanding share purchase warrants.

Disclaimer

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

Cautionary Statement on Forward-Looking Information

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirements for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.