



NEWPORT

EXPLORATION LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

Year Ended July 31, 2018

The following management's discussion and analysis of financial results ("MD&A") prepared as of October 25, 2018 should be read in conjunction with the audited financial statements of Newport Exploration Ltd. ("Newport" or the "Company") for the year ended July 31, 2018, 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 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") or 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 mineral exploration project is the Chu Chua property (“ChuChua”), 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).

Annual Financial Information

Year Ended	July 31, 2018	July 31, 2017	July 31, 2016
Financial Results			
Dividend distribution	\$ -	\$ 4,616,494	\$ 9,232,987
Petroleum Royalty income for the year	7,833,330	4,549,529	4,398,918
Net income for the year	2,432,656	2,407,207	1,633,259
Net income per share – basic	0.03	0.03	0.02
Net income per share – diluted	0.02	0.02	0.02
Financial Position			
Working capital position	\$ 8,596,087	\$ 4,040,387	\$ 6,239,342
Total assets	9,216,101	6,240,165	8,409,960
Share capital	45,939,732	45,939,732	45,939,732
Deficit	(39,422,597)	(41,855,253)	(39,645,966)

Results of Operations

During the year ended July 31, 2018 (the “current year”), the Company recorded net income of \$2,432,656 compared to net income of \$2,407,207 during the year ended July 31, 2017 (the “comparative year”). The significant changes during the current year compared to the comparative year, are as follows:

- The Company recorded Royalty income of \$7,833,330 from its Royalty exploration licences in Australia during the current year, an increase from \$4,549,529 earned during the comparative year. The increase is a result of an increase in production and increase in oil prices.
- Income tax expense of \$2,150,267 was recorded during the current year, an increase from \$1,102,531 recorded during the comparative year. The increase is a result of a higher royalty income recorded during the year.

- The Company recorded an impairment of its exploration and evaluation asset of \$2,082,080. No such impairment was recognized in the comparative year.
- A foreign exchange gain of \$37,036 was recorded during the current year compared to a foreign exchange loss of \$30,049 recorded during the comparative year. The change was due to fluctuation between the Australian dollar (the currency in which the Company receives its royalty income) and the Canadian dollar.
- Share-based payments, a non-cash expense was \$41,716 in the current year, compared to \$8,684 during the comparative year. In the current year, the Company granted 300,000 stock options with an exercise price of \$0.22 per share. In the Comparative year, the Company granted 50,000 stock options with an exercise price of \$0.27 per share.
- Bonuses were \$Nil during the current year compared to \$125,000 during the comparative year. The change is a result of no bonuses being paid to the Company's CEO and CFO.
- Consulting fees increased to \$421,000 during the current year compared to \$223,750 during the comparative year. Commencing January 2018, the CEO's fees increased to \$42,000 per month and, \$21,000 in fees were paid to consultants during the current year (\$Nil in comparative year).
- Management fees increased to \$295,500 during the current year compared to \$204,500 during the comparative year. Commencing January 2018, the CFO's fees increased to \$29,000 per month.

Fourth Quarter Results

During the three months ended July 31, 2018 ("current period"), the Company recorded a loss of \$294,730 compared to net income of \$600,574 for the three months ended July 31, 2017 ("comparative period"). The significant changes during the current period compared to the comparative period, are as follows:

- Royalty income in the current period was \$2,905,012, compared to \$1,127,908 in the comparative period.
- Income tax expense in the current period was \$885,660, compared to \$249,350 during the comparative period.
- The Company recorded an impairment of exploration and evaluation asset of \$2,082,080, relating to Chu Chua. No such impairment was recognized in the comparative period.

Liquidity and Capital Resources

The Company's working capital position at July 31, 2018 was \$8,596,087 compared to a working capital position of \$4,040,387 at July 31, 2017. As at July 31, 2018, the Company held cash and equivalents of \$2,407,300 (2017 - \$258,196) and short-term investments of \$3,871,997 (2017 - \$2,770,723). The change in cash and equivalents is primarily a result of the \$3,223,187 provided by operating activities, offset by \$1,711 spent on Chu Chua, and the purchase of short term investments of \$1,072,372.

As at July 31, 2018, the Company had current assets of \$9,216,100 (2017 - \$4,158,836), total assets of \$9,216,101 (2017 - \$6,240,165) and total liabilities of \$620,013 (2017 - \$118,449) 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 through to the end of its 2019 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.

Commitments

The Company has management and consulting contracts with a company controlled by Barbara Dunfield, a director and CFO of the Company, and a company controlled by Ian Rozier, a director and CEO of the Company. The Company pays the companies a combined total of \$71,000 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.

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 July 31, 2018	Three Months Ended April 30, 2018	Three Months Ended January 31, 2018	Three Months Ended October 31, 2017
Total assets	\$ 9,216,101	\$ 9,190,201	\$ 8,529,311	\$ 6,977,309
Working capital	8,596,087	6,808,513	5,926,850	4,789,069
Petroleum Royalty income	2,905,012	1,655,012	1,924,740	1,348,566
Net income (loss) for the period	(294,730)	881,418	1,095,820	750,148
Earnings (loss) per share – basic	(0.00)	0.01	0.01	0.01
Earnings (loss) per share – diluted	(0.00)	0.01	0.01	0.01

	Three Months Ended July 31, 2017	Three Months Ended April 30, 2017	Three Months Ended January 31, 2017	Three Months Ended October 31, 2016
Total assets	\$ 6,240,165	\$ 10,154,984	\$ 9,599,472	\$ 9,054,020
Working capital	4,040,387	8,055,770	7,496,788	6,926,191
Petroleum Royalty income	1,127,908	889,947	1,263,642	1,268,032
Net income for the period	600,574	549,761	570,060	686,812
Earnings per share – basic	0.01	0.01	0.01	0.01
Earnings per share – diluted	0.01	0.01	0.01	0.01

Quarter to quarter changes in net income are mainly a result of the changes in Royalty income 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 analyse, and without meaningful data, is unable to provide a supported and rational analysis of the prospects of potential future Royalty payments.

During the three months ended July 31, 2018, the Company recorded a loss, for the impairment of exploration and evaluation asset of \$2,082,080 recognized in the quarter. The impairment loss was partially offset by an increase in the petroleum royalty income.

During the three months ended July 31, 2017, the Company paid a special dividend of \$0.05 per common share, resulting in a distribution of \$4,616,494.

Related Party Transactions

During the year ended July 31, 2018, the Company entered into the following transactions with related parties:

- a) Paid consulting fees of \$394,000 (2017 - \$223,750) to a company controlled by Ian Rozier, Director, President and C.E.O. of the Company.
- b) Paid management fees of \$295,500 (2017 - \$204,500) to a company controlled by Barbara Dunfield, Director and C.F.O. of the Company.
- c) Paid no bonus (2017 - \$75,000) to a company controlled by Ian Rozier, Director, President and C.E.O. of the Company.
- d) Paid no bonus (2017 - \$50,000) to a company controlled by Barbara Dunfield, Director and C.F.O. of the Company.
- e) Paid rent of \$84,232 (2017 - \$70,500) to a company controlled by Ian Rozier.
- f) Paid or accrued directors' fees of \$35,833 (2017 - \$25,834) to Merfyn Roberts a Director of the Company.
- g) Paid or accrued directors' fees of \$25,833 (2017 - \$Nil) to James Robertson a Director of the Company.
- h) Paid or accrued directors' fees of \$10,000 (2017 - \$25,834) to David Cohen, a former Director of the Company.
- i) Paid or accrued professional fees of \$607 (2017 - \$2,496) to McMillan LLP ("McMillan") a legal firm of which David Cowan, the Company's Corporate Secretary, is a partner.
- j) 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 July 31, 2018:

- a) \$Nil (2017 - \$5,000) to David Cohen, a former director of the Company
- b) \$6,666 (2017 - \$5,000) to Merfyn Roberts, a director of the Company
- c) \$6,666 (2017 - \$Nil) 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, 2018	July 31, 2017
Fees for services	\$ 689,500	\$ 553,250

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 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 \$3,871,997 at July 31, 2018 (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 and equivalents, short-term investments and receivables, the carrying value totalling \$9,209,231, 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, 2018 was received, net of tax, subsequent to July 31, 2018.

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, 2018, the Company had a cash balance of \$2,407,300 (2017 - \$258,196), receivables of \$2,929,934 (2017 - \$1,123,048) and short-term investments of \$3,871,997 (2017 - \$2,770,723) to settle current liabilities of \$620,013 (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 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 \$38,700.

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 \$23,400. The Company does not hedge exchange risk.

Capital management

Newport's objectives when managing capital is to possibly acquire 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 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.

New and Future Accounting Pronouncements

The Company has not adopted any material new or revised standards during the year ended July 31, 2018.

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended July 31, 2018, and have not been applied in preparing these financial statements.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers. 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 will adopt IFRS 15 in its financial statements for the annual period beginning on August 1, 2018. Adoption of IFRS 15 will not impact the financial statements.

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 will adopt IFRS 9 in its financial statements for the annual period beginning on August 1, 2018. The Company has completed an analysis of IFRS 9 and, other than re-designating financial instruments in accordance with IFRS 9 and additional disclosure requirement, adoption of IFRS 9 is not expect to have an impact on the financial statements.

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 this standard 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 2.5% gross overriding 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 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 Newport 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 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 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

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 Dividends

On June 19, 2017, Newport declared a special cash dividend of \$0.05 per share to holders of the Company's common shares. The dividend was designated as an "eligible dividend" for Canadian income tax purposes. The Company paid a total dividend of \$4,616,494 to shareholders of record at June 30, 2017.

On September 27, 2018, Newport declared a special cash dividend of \$0.05 per common share. The dividend was designated as an "eligible dividend" for Canadian income tax purposes. The Company paid a total dividend of \$5,153,194 to shareholders of record at October 12, 2018.

Current Share Data

As at October 25, 2018, the Company had 103,063,874 common shares outstanding and the following outstanding options and warrants:

Outstanding Options:

Outstanding at October 25, 2018	Outstanding at July 31, 2018	Exercise Price	Expiry Date
-	5,800,000	\$0.05	December 19, 2018
1,650,000	1,650,000	\$0.34	December 13, 2019
1,300,000	1,300,000	\$0.26	October 8, 2020
-	300,000	\$0.215	December 19, 2022
<u>2,950,000</u>	<u>9,050,000</u>		

Subsequent to July 31, 2018, 5,800,000 stock options, with an exercise price of \$0.05 per share, were exercised for proceeds of \$290,000 and, 300,000 stock options with an exercise price of \$0.215 per share, were exercised for proceeds of \$64,500.

Outstanding Warrants:

Outstanding at October 25, 2018	Outstanding at July 31, 2018	Exercise Price	Expiry Date
1,366,000	6,000,000	\$0.14	March 7, 2019

Subsequent to July 31, 2018, 4,634,000 warrants were exercised for proceeds of \$648,760.

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 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.