



NEWPORT

EXPLORATION LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

Six Months Ended January 31, 2025

This management's discussion and analysis of financial position and results of operations ("MD&A") is prepared as at March 20, 2025 and should be read in conjunction with the unaudited condensed interim financial statements for the six months ended January 31, 2025 of Newport Exploration Ltd. ("Newport" or "the Company") with the related notes thereto. These 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, 2024 audited annual financial statements and the accompanying notes. All dollar amounts included therein and in the following MD&A, unless otherwise indicated, are expressed in Canadian dollars.

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

Additional information on the Company is available on SEDAR+ at www.sedarplus.ca 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 ("GOR") 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.

Overview

Oil and Gas Royalty Interests

The Company's Royalty interests are derived from several oil and gas exploration and production licences in the Cooper Basin, NSW, Australia which are operated by Beach Energy Ltd. ("Beach") or Santos Ltd ("Santos").

As the Royalty is a non-operating interest, 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 (“Chu Chua”), located in central British Columbia, Canada. A National Instrument 43-101 technical report is available under the Company’s profile on SEDAR+ (www.sedarplus.ca) and on its website (www.newport-exploration.com).

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. As previously noted, the Company reserved the right to change the dividend payment from time to time and, on February 12, 2024, the Company reported the quarterly dividend had been amended to \$0.005 per share. On August 9, 2024, the Board of Directors postponed the next dividend payment pending Beach’s future plans. On December 13, 2024, due to a lack of specific plans disclosed by Beach on the Company’s GOR licences, decreased oil production and depressed Brent Crude oil prices, the Company made the decision to terminate its quarterly fixed dividend distribution and revert back to Special Dividend payments. To date, the Company has made \$58,355,405 in dividend payments to shareholders.

Results of Operations

During the three months ended January 31, 2025 (the “current period”), the Company recorded a net loss of \$99,619 compared to net income of \$521,416 during the three months ended January 31, 2024 (the “comparative period”). The significant changes during the current period compared to the comparative period, are as follows:

- The Company recorded royalty income of \$676,030 from its royalty licences in Australia during the current period, a decrease from \$1,222,952 recorded during the comparative period, a result of a decrease in production and sales.
- Income tax expense of \$118,397 was recorded during the current period, a decrease from \$278,850 recorded during the comparative period, a result of lower royalty income during the current period.

- A foreign exchange loss of \$313 was recorded during the current period compared to a foreign exchange loss of \$36,237 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.
- Share-based payment expense of \$286,717 was recorded during the current period, a result of the grant of 9,800,000 stock options. No such transaction took place during the comparative period.

During the six months ended January 31, 2025 (the “current six-month period”), the Company recorded net income of \$156,151 compared to net income of \$1,219,070 during the six months ended January 31, 2024 (the “comparative six month period”). The significant changes are as follows:

- As a result of a decrease in production and sales, the Company recorded Royalty income of \$1,431,606 during the current six month period, a decrease from \$2,533,303 earned during the comparative six month period.
- An Income Tax expense of \$254,934 was recorded during the current six month period, a decrease from \$579,326 recorded during the comparative six-month period, a result of lower Royalty income during the current six-month period.
- A foreign exchange gain of \$1,741 was recorded during the current six month period compared to a loss of \$3,208 during the comparative six month period. The change resulted from a fluctuation between the Australian dollar, the currency in which the Company receives its royalty income, and the Canadian dollar.
- Share-based payment expense of \$286,717 was recorded during the current six-month period, a result of the grant of 9,800,000 stock options. No such transaction took place during the comparative six-month period.

Liquidity and Capital Resources

The Company’s working capital position at January 31, 2025 was \$2,988,236 compared to a working capital position of \$2,513,150 at July 31, 2024. As at January 31, 2025, the Company held cash and equivalents of \$1,475,050 (July 31, 2024 - \$814,660) and short-term investments of \$876,603 (July 31, 2024 - \$857,724). The change in cash and equivalents is from \$694,396 provided by operating activities, offset by lease liability payments of \$34,006.

As at January 31, 2025, the Company had current assets of \$3,070,255 (July 31, 2024 - \$2,615,055), total assets of \$3,100,422 (July 31, 2024 - \$2,677,440) and total liabilities of \$82,019 (July 31, 2024 - \$101,905).

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

The Company anticipates it will be able to meet its expected operating expenditures for its 2025 fiscal year end.

Newport has financed its operations through its Royalty income, the issuance of common shares, exercise of stock options and share purchase warrants. 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 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 CEO \$47,725 per month and the CFO \$32,600 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 parties is without cause, the Company will be obligated to pay 36 months of service fees to either or both parties.

Quarterly Financial Information

| | Three Months Ended January 31, 2025 | Three Months Ended October 31, 2024 | Three Months Ended July 31, 2024 | Three Months Ended April 30, 2024 |
|-------------------------------------|--|--|---|--|
| Total assets | \$ 3,100,422 | \$ 2,911,765 | \$ 2,677,440 | \$ 2,911,534 |
| Working capital | 2,988,236 | 2,785,067 | 2,513,150 | 2,736,477 |
| Dividend payment | - | - | 527,890 | 527,899 |
| Petroleum Royalty income | 676,030 | 755,576 | 797,603 | 916,919 |
| Net income (loss) for the period | (99,619) | 255,770 | 299,796 | 403,774 |
| Earnings (loss) per share – basic | (0.00) | 0.00 | 0.00 | 0.00 |
| Earnings (loss) per share – diluted | (0.00) | 0.00 | 0.00 | 0.00 |

| | Three Months Ended January 31, 2024 | Three Months Ended October 31, 2023 | Three Months Ended July 31, 2023 | Three Months Ended April 30, 2023 |
|------------------------------|--|--|---|--|
| Total assets | \$ 3,050,844 | \$ 3,605,315 | \$ 3,987,429 | \$ 4,644,369 |
| Working capital | 2,861,317 | 3,396,030 | 3,754,302 | 4,269,337 |
| Dividend payment | 1,055,799 | 1,055,799 | 1,055,799 | 1,055,799 |
| Petroleum Royalty income | 1,222,952 | 1,310,351 | 1,143,584 | 1,200,745 |
| Net income for the period | 521,416 | 697,476 | 540,604 | 464,905 |
| Earnings per share – basic | 0.00 | 0.00 | 0.00 | 0.00 |
| Earnings per share – diluted | 0.00 | 0.00 | 0.00 | 0.00 |

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 data, is unable to provide a supported analysis of the prospects of future Royalty payments.

Related Party Transactions

During the six months ended January 31, 2025, the Company entered into the following transactions with related parties:

- a) Paid consulting fees of \$286,350 (2024 - \$286,350) to Ian Rozier, Director, President and C.E.O. of the Company.
- b) Paid management fees of \$195,600 (2024 - \$195,600) to a company controlled by Barbara Dunfield, Director and C.F.O. of the Company.
- c) Paid or accrued directors' fees of \$22,500 (2024 - \$22,500) to Merfyn Roberts, a Director of the Company.
- d) Paid or accrued directors' fees of \$22,500 (2024 - \$22,500) to James Robertson, a Director of the Company.
- e) A company with a common officer and director reimbursed rent expense of \$6,000 (2024 - \$6,000) to the Company.
- f) Share-based payment expense of \$257,459 (2024 - \$Nil) to directors and officers of the Company.

The following amounts, with respect to the above transactions, are owing to related parties as at January 31, 2025:

- a) \$7,500 (July 31, 2024 - \$7,500) to Merfyn Roberts, a director of the Company
- b) \$7,500 (July 31, 2024 - \$7,500) 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):

| | January 31, 2025 | January 31, 2024 |
|-------------------|---------------------|---------------------|
| Fees for services | \$ 240,975 | \$ 240,975 |

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 \$876,603 at January 31, 2025 (July 31, 2024 - \$857,724), 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 \$2,630,088, 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 January 31, 2025 was received, net of tax, subsequent to January 31, 2025.

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 January 31, 2025, the Company had a cash and equivalents balance of \$1,475,050 (July 31, 2024 - \$814,660), with expected cash inflows from trade receivables maturing within two months of \$702,758 (July 31, 2024 - \$801,580) and short-term investments maturing within twelve months of \$876,603 (July 31, 2024 - \$857,724) to settle expected cash outflows from current liabilities of \$82,019 (July 31, 2024 - \$101,905).

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 \$6,400.

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 \$4,800. The Company does not hedge exchange risk.

c) Commodity risk

The Company is exposed to fluctuations in commodity price with respect to its royalty on its GOR licenses in Australia. The effect on net income and comprehensive income of a 1% change in oil price is approximately \$500.

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. 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 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.

Newport cannot clearly determine with a degree of certainty with respect to royalty derived revenues, and as such 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 which may possess 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.

Current Share Data

As at March 20, 2025 the Company had 105,579,874 common shares issued and outstanding and the following outstanding options and warrants:

Outstanding Options:

| Outstanding at March 20, 2025 | Outstanding at January 31, 2025 | Exercise Price | Expiry Date |
|----------------------------------|------------------------------------|----------------|-------------------|
| 9,800,000 | 9,800,000 | \$0.08 | December 29, 2029 |

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 document provided by the Company, which can be accessed at www.sedarplus.ca. 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.