NEWPORT EXPLORATION LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

Year Ended July 31, 2014

The following management's discussion and analysis of financial results ("MD&A) prepared as of October 7, 2014 should be read in conjunction with the audited financial statements of Newport Exploration Ltd. ("Newport" or the "Company") for the year ended July 31, 2014, together with the related notes thereto. Those 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.

This discussion may contain forward-looking statements that involve risks and uncertainties. Such information, although considered to be accurate, may differ materially from the information disclosed within any 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 resource properties. In addition, the Company, holds a 2.5% gross overriding royalty interest in any hydrocarbons discovered on certain petroleum exploration licences in Australia.

The Company's head office is in Vancouver, British Columbia. The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan and trades on the TSX Venture Exchange (TSX-V) under the symbol NWX.

Restatement of prior periods

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

Overview

Private Placement

On March 10, 2014, the Company completed a non-brokered private placement and issued 20 million units at a price of $0.11 per unit for gross proceeds of $2.2 million. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire a further common share at $0.14 until March 7, 2019. No finders' fees were paid in connection with the financing.

Oil and Gas Royalty Interests

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

The gross overriding royalty is a non-operating interest and the Company consequently cannot speculate on production, development plans, or potential revenues. Interested shareholders and potential investors are encouraged to access the information released independently by Drillsearch, Beach and Santos.

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

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

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

The Company does not have access to the underlying technical data and cannot independently verify the Oil and Gas Reserves and Resources in accordance with classification requirements in compliance with NI 51-101 and the Canadian Oil and Gas Evaluation Handbook (“COGEH”). Accordingly, as the Reserves and Resources for PEL 91 and PEL 106 as reported by Beach are not necessarily compliant with NI 51-101 Canadian reporting requirements, they should not be relied upon. In addition, the Beach release refers to Barrels of Oil Equivalent (“BOE”). In accordance with Section 5.14(d) of NI 51-101 for Canadian reporting purposes this disclosure must note that the term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mdf: 1bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead where the Company’s royalty is calculated.

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

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

Chu Chua

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

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

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

Shareholder Rights Plan

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

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

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

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

Normal Course Issuer Bid

Subsequent to the year-end the Company announced that it had received TSX Venture Exchange approval to make a normal course issuer bid ("NCIB") for up to 4,025,444 shares of the Company over a period of one year (the "Bid Period") representing 5% of the Company's outstanding common shares and that the NCIB will stay in effect until August 31, 2015 or until the Company has acquired the common shares available under the NCIB policy. NCIB purchases will be made on the TSX Venture Exchange and shares will be purchased only as open market transactions and conducted at the market price at the time of acquisition. The Company appointed PI Financial Corp as its broker to conduct NCIB transactions and share purchases by the Company will be subsequently cancelled.

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

Annual Financial Information

Year Ended		July 31, 2014		July 31, 2013		July 31, 2012
Financial Results						
Exploration and evaluation expenditures	$	1,524,986	$	241,651	$	73,361
Net income (loss) for the year		9,796,794		2,144,083		(434,381)
Net income (loss) per share – basic		0.15		0.04		(0.01)
Net income (loss) per share – diluted		0.12		0.04		(0.01)
Financial Position						
Working capital position	$	18,637,204	$	7,922,119	$	6,010,256
Total assets		23,351,086		8,283,576		6,149,393
Share capital		44,761,493		42,343,096		42,343,096
Deficit		(25,460,475)		(35,257,269)		(37,401,352)

Results of Operations

During the year ended July 31, 2014 (the “current year”), the Company recorded net income of $9,796,794 compared to net income of $2,144,083 for the year ended July 31, 2013 (the “comparative year”). The significant changes during the current year compared to the comparative year, are as follows:

- The Company recorded income of $13,120,651 from its 2.5% gross overriding petroleum royalty on certain exploration licences in Australia during the current year, an increase from $2,719,542 earned during the comparative year.

- Income tax expense of $2,556,000 was recorded during the current year, an increase from $nil during the comparative year. The increase is a result of the Company having utilized its non-capital loss carry-forwards and other tax deductions during the current year.

- Interest income of $192,110 was earned during the current year on cash held in short-term investments. This compares to interest income of $95,014 earned during the comparative year. The change is due to an increase in short-term investments and cash equivalents held by the Company.

- A foreign exchange gain of $123,406 was recorded during the current year compared to a foreign exchange loss of $116,345 recorded during the comparative year. The change was due to fluctuation between the Australian dollar and the Canadian dollar during the year.

- Management fees increased to $137,500 during the current year compared to $120,000 during the comparative year. The fee increase of $2,500 per month is a result of a new management contract effective January 1, 2014.

- Professional fees increased to $228,314 during the current year compared to $41,018 for the comparative year, attributable to an increase in legal fees with the engagement of Australian legal counsel to oversee the Company's petroleum royalties and respective tax issues.

Fourth Quarter Results

During the three months ended July 31, 2014, the Company recorded net income of $2,557,859 compared to net income of $1,659,544 for the three months ended July 31, 2013. The most significant change during the three months ended July 31, 2014 compared to the three months ended July 31, 2013 was due to the receivable of $3,478,353 of royalty income during the three months ended July 31, 2014, compared to the receivable of $1,890,050 in royalty income during the three months ended July 31, 2013. Another significant change was income tax expense of $670,000 during the three months ended July 31, 2014, compared to $nil during the three months ended July 31, 2013, as the Company utilized its non-capital loss carry-forwards during the three months ended October 31, 2013.

Liquidity and Capital Resources

The Company's working capital position at July 31, 2014 was $18,637,204 as compared to a working capital position of $7,922,119 at July 31, 2013. As at July 31, 2014, the Company held cash and equivalents of $1,754,167 (2013 - $1,452,666) and short-term investments of $16,001,512 (2013 - $5,311,101). The change in cash and equivalents is primarily a result of the $10,204,122 provided by operating activities which was offset by $1,524,986 spent on Chu Chua and a $10,567,045 increase in short-term investments.

As at July 31, 2014, the Company had current assets of $21,267,172 (2013 - $7,946,830), total assets of $23,734,086 (2013 - $8,283,576) and total liabilities of $2,629,968 (2013 - $24,711). The Company has no long-term debt.

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

The Company will be able to meet its expected operating and exploration expenditures at least through to the end of its 2015 fiscal year end.

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

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

Commitments

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

2015	$ 48,400

b) The Company entered into management and consulting contracts with companies having a director and an officer in common. The Company has agreed to pay the companies a combined total of $27,500 per month. These contracts remain in force on a continuous basis. The contracts can be terminated by the Company by providing 90 days written notice. If termination of services of either or both companies is without cause, the Company will be obligated to pay 36 months of service fees to the director's and officer's companies.

Quarterly Financial Information

	Three Months Ended July 31, 2014	Three Months Ended April 30, 2014	Three Months Ended January 31, 2014	Three Months Ended October 31, 2013
Total assets	$ 23,734,086	$ 20,078,603	$ 14,950,966	$ 11,434,756
Working capital	18,637,204	16,084,913	12,832,326	9,350,699
Net income for the period	2,557,859	2,246,164	2,276,944	2,715,827
Earnings per share – basic	0.03	0.03	0.04	0.05
Earnings per share – diluted	0.01	0.03	0.04	0.04

	Three Months Ended July 31, 2013	Three Months Ended April 30, 2013	Three Months Ended January 31, 2013	Three Months Ended October 31, 2012
Total assets	$ 8,283,576	$ 6,606,281	$ 6,149,891	$ 6,091,353
Working capital	7,922,119	6,241,107	6,031,515	5,962,551
Net income (loss) for the period	1,659,544	459,442	72,980	(47,883)
Earnings (loss) per share – basic	0.03	0.01	0.00	(0.00)
Earnings (loss) per share – diluted	0.03	0.01	0.00	(0.00)

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

Fiscal 2014

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

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

During the three months ended January 31, 2014, the Company recorded net income of $2,276,944. This amount was derived from petroleum royalty income of $3,704,296, interest income of $34,746 less operating expenses of $492,098 and income tax expense of $970,000. During the previous quarter, the Company recorded net income of $2,715,827. This amount was derived from petroleum royalty income of $2,936,668, interest income of $27,942 less operating expenses of $30,783 and income tax expense of $218,000. The difference was primarily due to an increase in petroleum royalty income accrued in the current quarter offset by an increase in income tax expense as the Company utilized all of its tax allowances in the prior quarter. The difference in operating expenses was due to a foreign exchange loss between the Canadian dollar and the Australian dollar in the current quarter of $37,343 compared to a foreign exchange gain of $113,889 in the prior quarter. In addition, the Company incurred share-based compensation expense, a non-cash expense in the amount of $253,397 in the current quarter on the granting of 6 million stock options.

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

Fiscal 2013

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

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

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

During the three months ended October 31, 2012, the Company recorded a loss of $47,883. This amount was derived from petroleum royalty income of $72,631, interest income of $23,181, less operating expenses of $143,695.

Related Party Transactions

During the year ended July 31, 2014, the Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $180,000 (2013 - $180,000) to a company controlled by Ian Rozier, Director, President and C.E.O. of the Company.

b) Paid or accrued management fees of $137,500 (2013 - $120,000) to a company controlled by Barbara Dunfield, Director and C.F.O. of the Company.

c) Paid or accrued rent of $72,600 (2013 - $72,600) to a company controlled Ian Rozier.

d) Paid or accrued directors' fees of $35,000 (2013 - $20,000) to Merfyn Roberts and David Cohen, Directors of the Company.

e) Paid or accrued professional fees of $68,713 (2013 - $9,303) to McMillan LLP ("McMillan") a legal firm of which David Cowan, the Company's Corporate Secretary, is a partner.

f) Paid or accrued consulting fees of $6,000 (2013 - $24,000) to a company controlled by David Cohen.

g) Paid or accrued share issuance costs of $1,878 (2013 - $Nil) to McMillan.

h) Recorded share-based payment expense of $244,950 (2013 - $nil) to directors and officers of the Company as a result of the granting of stock options.

As at July 31, 2014, accounts payable and accrued liabilities included $17,016 (2013 - $8,422) owing to Merfyn Roberts, David Cohen, and to McMillan.

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

Financial and Capital Risk Management

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

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

The following is an analysis of the Company's financial instruments measured using the fair value hierarchy as at July 31, 2014 and July 31, 2013:

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

	As at July 31, 2013		
	Level 1	**Level 2**	**Level 3**
Cash	$ 1,452,666	$ -	$ -
Short-term investments	$ 5,311,101	$ -	$ -

Financial risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short-term investments and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because instruments are due primarily from government agencies and cash and short-term investments are held with reputable Canadian financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at July 31, 2014, the Company had a cash and equivalents balance of $1,754,167 (2013 - $1,452,666) and short-term investments of $16,001,512 (2013 - $5,311,101) to settle current liabilities of $2,629,968 (2013 - $24,711). To maintain liquidity, the Company is continually investigating financing opportunities. As disclosed in Note 1, there can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

The Company has cash and equivalents balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The

Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The effect of a 1% change in interest rates is approximately $160,000.

b) Foreign currency risk

The Company is exposed to foreign currency risk with respect to its petroleum royalty payment which is denominated in Australian dollars. The effect of a 1% change in exchange rates between the Australian dollar and Canadian dollar foreign exchange is approximately $131,000. The Company does not currently hedge exchange risk. The majority of its transactions are denominated in Canadian dollars.

c) Price risk

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

Capital Management

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions..

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

Adoption of Accounting Standards

The following standards and amendments to existing standards have been adopted by the Company commencing August 1, 2013:

i) IFRS 10: New standard to establish principles for the presentation and preparation of IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement, effective for annual periods beginning on or after January 1, 2013;
ii) IFRS 12: New standard for the disclosure of interest in other entities not within the scope of IFRS 9/ IAS 39: effective for annual periods on or after January 1, 2013; and
iii) IFRS 13: New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013.

There was no effect on the Company's financial statements as a result of adopting these standards.

Future Accounting Pronouncements

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

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

i) IFRS 7 (Amendment): Standard amended to clarity requirements for mandatory effective dates and transition disclosures, effective for annual periods beginning on or after January 1, 2015;
ii) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018;
iii) IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014.

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.

The Company has no ability to determine the quantum or sustainability of future royalty payments from its oil and gas interests in Australia over which the Company has a 2.5% gross overriding royalty. The reported royalties are treated by the Company as fortuitous cash receipts from royalties received on incidental production from exploration/appraisal wells. In the absence of detailed technical information such as sales prices, well costs, initial flow rates, decline rates, transport infrastructure, capacity availability, water cuts or netbacks with which to forecast well economics and potential production over time, no guidance can be provided with respect to any potential future royalty receipts.

Furthermore, there is also the uncertainty as to the Operators planning of future production in and around the licenses in which the Company has royalty interests (including the potential shut-in of producing appraisal wells or the installation of production infrastructure). The Company has no information on the production plans of the Operators and has no input into them.

Until such time as the Company can clearly determine that there is a degree of certainty with respect to royalty derived revenues, it cannot predict the prospects for future revenue. Accordingly, the receipts of royalty payments should not be treated as indicative of additional near-term revenue or any future revenues until the Company has appropriate information to support or validate this.

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

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

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

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

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

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements or commitments as of the date of this MD&A.

Contingencies

The Company has been served with a notice of civil claim brought under the B.C. Class Proceedings Act against the Company and certain directors and officers of the Company. The claim alleges that the Company failed to disclose a material change in its affairs relating to a royalty held by it on certain oil and gas properties in Australia. The Company believes that the claim is without merit, and intends to vigorously defend the claim.

The Company is not aware of any other contingencies or pending legal proceedings as of the date of this MD&A.

Proposed Transactions

The Company has not entered into any proposed transactions as of the date of this MD&A.

Investor Relations

The Company has not entered into any investor relations agreements as of the date of this MD&A.

Current Share Data

As at October 7, 2014, the Company had 80,508,874 common shares outstanding and the following outstanding options and warrants:

Outstanding Options:

Number of Options	Exercise Price	Expiry Date
5,850,000	$0.05	December 19, 2018

Outstanding Warrants:

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

Subsequent Events

Subsequent to July 31, 2014, the Company:

a) received approval from the TSX Venture Exchange for a normal course issuer bid for up to 4,025,444 shares of the Company over a period of one year commencing September 2, 2014, and will continue until the earlier of August 31, 2015 or the date by which the Company has acquired the maximum 4,025,444 shares; and

b) was notified of, and received its, 2.5% gross overriding petroleum royalty income of $3,498,148 for the fourth quarter of fiscal 2014.

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.