REDHILL RESOURCES CORP

Management Discussion and Analysis
For the three months ended
May 31, 2015

GENERAL

The purpose of this Management Discussion and Analysis ("MD&A") is to explain management's point of view of Redhill Resources Corp.'s (the "Company") past performance and future outlook. This report also provides information to improve the reader's understanding of the financial statements and related notes, and should therefore be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and notes thereto for the three months ended May 31, 2015 (the "Financial Statements"). Additional information on the Company is available on SEDAR and on the Company's website, www.redhill-resources.com. All information contained in this MD&A is current as of July 30, 2015 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD LOOKING STATEMENTS

Certain sections of this MD&A may contain forward-looking statements.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements may relate to the Company's future financial conditions, results of operations, plans, objectives, performance or business developments including, among other things, exploration and work programs, drilling plans and timing of drilling, plans for development and facilities construction and timing, method of funding and completion thereof, the performance characteristics of the Company's and oil and gas reserves, drilling results of various projects of the Company, commercial viability of exploration and development wells, the existence of resources or reserves and the timing of development thereof, projections of market prices and costs, supply and demand for oil and gas, expectations regarding the ability to raise capital and to acquire reserves through acquisitions and/or development, treatment under governmental regulatory and royalty regimes and tax laws, and capital expenditure programs and the timing and method of financing thereof.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The estimates and assumptions of the Company contained in this MD&A, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein and in the MD&A, or as otherwise expressly incorporated herein by reference as well as: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment, adverse weather conditions or otherwise; (2) permitting, access, exploration, expansion and acquisitions at our projects (including, without limitation, land acquisitions for and permitting of exploration plans) being consistent with our current expectations; (3) prices for and availability of equipment, labor, natural gas, fuel oil, electricity, water and other key supplies remaining consistent with current levels; (4) labour and materials costs increasing on a basis consistent with the Company's current expectations; (5) the availability and timing of additional financing being consistent with the Company's current expectations. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the currency markets; fluctuations in the spot and forward price of oil and gas, or certain other commodities (such as diesel fuel and electricity); changes in national and local government legislation and royalty regimes, taxation, controls, regulations and political or economic developments in Canada and the United States of America; business opportunities that may be presented to, or pursued by, us; our ability to successfully integrate acquisitions; operating or technical difficulties in connection with exploration or development activities; employee relations; the speculative nature of oil and gas exploration and development, including the risks of obtaining necessary licenses and permits; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of acquisitions, geological, technical, drilling and processing problems, fluctuations in foreign exchange or interest rates and stock market volatility, changes in income tax laws or changes in tax laws and incentive programs relating to the resource industry; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of oil and gas exploration and development including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and/or uncontrolled oil and gas releases (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks).

Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future.

All of the forward-looking statements made in this MD&A are expressly qualified by these cautionary statements and those made in our other filings with applicable securities regulators in Canada. These factors are not intended to represent a complete list of the factors that could affect the Company and readers should not place undue reliance on forward-looking statements in this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

The forward looking statements contained herein are based on information available as of July 30, 2015.

OVERALL PERFORMANCE

The Company is a tier one reporting issuer in British Columbia and Alberta and trades on the TSX-Venture Exchange ("TSX-V") under the symbol RHR. Redhill is an active resource exploration company which had one wholly-owned subsidiary, ATW Gold Corp Australia Pty Ltd. ("ATW Australia") which was dissolved in November 2014. The Company's head office and principal address are located at Suite 2000, 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2K3. The registered and records office is located at Suite 650, 1188 West Georgia Street, Vancouver, BC, V6E 4A2.

The Company is engaged in the acquisition, exploration, and development of various oil and gas resource properties.

In April 2014, the Company purchased 850 12% one year convertible subordinated debentures at a subscription price of $1,000 per debenture for a total cost of $850,000. The debentures bear interest at a rate of 12% per annum (calculated annually) and were payable semi-annually on October 3, 2014 (received) and April 4, 2015. Each debenture was convertible at the holder's option into common shares of High North for a period of one year at $0.85 per common share.

In early 2015, the Company was informed by High North that it would not be able to repay the principal or interest portion of the debenture maturing on April 4, 2015. Subsequent to May 31, 2015, the Company elected to waive the event of default by High North and agreed to participate in a Plan of Arrangement ("Plan") to modify or convert the debentures in early June 2015. Under the Plan, the Company had the option to a) convert their principal and interest into common shares of High North at $0.06 per share b) extend their debenture until October 2016 at a reduced interest rate of 6%, or c) a combination of both a) and b). The Company elected to convert its entire principal and interest balance into common shares of High North and received 15,254,203 High North common shares of July 15, 2015 to satisfy its debenture and interest receivable as at April 4, 2015.

As at May 31, 2015, the Company had incurred a cumulative total of $1,040,433 in acquisition and exploration costs on the Montney Leases.

For a more detailed description of the Company's interest in its exploration and evaluation assets and the terms and conditions of the underlying agreements and leases, please refer to the section "Summary of Exploration Activities".

Subsequent Events

- In July 2015, the Company cancelled 525,000 stock options expiring on August 11, 2019 with an exercise price of $0.40.
- In July 2015, the CEO resigned and agreed to settle $60,000 of deferred salary for $30,000 ("settlement amount"). The employee will have no further claims against the Company for additional salary or other employment compensation once the settlement amount has been paid.

SELECTED QUARTERLY INFORMATION

As at May 31, 2015, the Company was a Tier 1 issuer. The Company has not recorded any revenues in the current fiscal period, and depends upon share issuances to fund its administrative expenses. See the summary of results, below:

	Three Months Ended May 31,	
	2015	**2014**
	$	**$**
Revenues	-	-
Expenses	(281,123)	(256,918)
Other income (expenses)	(78,206)	157,236
Net loss for the period	(955,245)	(169,882)
Comprehensive loss for the period	(1,064,690)	(639,682)
Basic and diluted net loss per common share	(0.05)	(0.01)
Basic and diluted comprehensive loss per common share	(0.05)	(0.03)
Exploration and evaluation assets	1,040,433	1,551,955
Total assets	2,670,005	10,060,634
Total long-term liabilities	-	-
Working capital	955,207	4,346,867
Dividends per share	-	-

The Company's current project is at the exploration stage and has not generated any revenues. The Company does receive interest income on certain investments which are currently comprised of deposits at recognized financial institutions.

At May 31, 2015, the Company had not yet achieved profitable operations and has accumulated losses of $51,435,017 (May 31, 2014 – $45,237,483) since inception. The net losses for the quarters ended May 31, 2015 and 2014 resulted in a net loss per share of $0.05 and $0.01, respectively, and a comprehensive loss per share of $0.05 and $0.03, respectively.

At May 31, 2015, the Company has no continuing source of operating revenues and related expenditures. The Company has not paid any dividends on its common shares nor does it have any present intention of paying dividends on its common shares, as it anticipates that all available funds for the foreseeable planning horizon will be invested to finance its business activities.

RESULTS OF OPERATIONS

As an exploration company, the Company has not generated any revenues from its current ongoing projects.

The table below details the significant changes in administrative expenditures for the quarter ended May 31, 2015 as compared to the quarter ended May 31, 2014.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Management and consulting fees	Increase of $29,404	Increase due to the 2015 quarter including two additional management salaries that were not incurred during the 2014 quarter.
Office and rent	Increase of $28,890	Increase due to additional computer network support being incurred and less recoveries being charged in the current quarter.
Professional fees	Decrease of $8,951	Decrease due to general decrease in corporate activity.
Salaries and wages	Decrease of $9,048	Decreased as two employees left the Company during the current quarter.
Travel and related	Decrease of $10,998	Decrease to due general decrease in corporate activity.

In addition to the above, the Company reported the following variations for the quarter ended May 31, 2015 as compared to the quarter ended May 31, 2014:

- a one-time gain of $197,678 recognized in the comparative quarter in connection with the disposal of the Company's GORR oil and gas properties in April 2014;
- an increase of $187,601 in the loss on warrants held which was the result of the revaluation of these warrants in High North using the Black Scholes pricing model;
- a decrease of $125,788 in the gain on debentures held which was the result of the revaluation of these debentures to High North using the Black Scholes pricing model;
- a decrease of $8,807 in interest income as a result of the interest earned in relation to the loan receivable owing from High North Resources Inc. ceasing on April 4, 2015;
- an increase of $90,770 on the loss on sale of financial assets which arose from the sale of High North shares during the quarter; and
- an impairment of $595,916 recognized in the current quarter in connection with the Company's loan receivable.

SUMMARY OF QUARTERLY RESULTS FOR THE LAST CONSECUTIVE 8 QUARTERS

The following selected quarterly consolidated financial information is derived from the financial statements of the Company.

Three Months Ended	1st Quarter May 31, 2015 $	4th Quarter February 28, 2015 $	3rd Quarter November 30, 2014 $	2nd Quarter August 31, 2014 $
Total revenue	-	-	-	-
Net income (loss)	(955,245)	(2,025,217)	(600,687)	(3,385,782)
Total comprehensive income gain (loss)	(1,064,690)	(1,380,217)	(1,806,837)	(4,142,682)
Comprehensive income (loss) per share-basic and diluted	(0.05)	(0.07)	(0.09)	(0.22)

Three Months Ended	1st Quarter May 31, 2014 $	4th Quarter February 28, 2014 $	3rd Quarter November 30, 2013 $	2nd Quarter August 31, 2013* $
Total revenue	-	-	-	-
Net income (loss)	(169,882)	306,684	(2,270,485)	(805,931)
Total comprehensive income (loss)	(639,682)	2,082,959	(94,792)	(1,166,577)
Comprehensive income (loss) per share-basic and diluted	(0.03)	0.16	(0.01)	(0.09)

* the above income (loss) per share calculations have been adjusted to reflect the Company's 10:1 share consolidation which took place in October 2013.

The variations in net income (loss) from quarter to quarter are a result of the extent of the amount of administrative expenses needed, due to the amount of activity the Company is incurring on its exploration and evaluation assets, and the amount of write-downs and impairments recorded. The difference between the net income (loss) and total comprehensive income (loss) is due to the change in the fair market value of the Company's financial assets.

The following one time events also occurred:

- the quarter ended May 31, 2015 included a loss on sale of financial assets of $90,700 due to the sale of High North shares and an impairment of $595,916 on its loan receivable;
- the quarter ended February 28, 2015 included a reclassification of $1,575,000 from other comprehensive income to net loss due to the impairment of the High North shares;
- the quarter ended November 30, 2014 included property investigation and due diligence expenses of $416,190 and a recovery of previously written down exploration and evaluation assets of $380,654;
- the quarter ended August 31, 2014 included a loss on warrants held of $271,615, a loss on debentures held of $103,786, share-based compensation of $453,419 relating to share options issued, and a write-down of $1,464,582 and $638,392 on the Aspen and Stikine Terrane properties, respectively;
- the quarter ended May 31, 2014 included a loss on warrants held of $187,217, a gain on debentures held of $125,788, and a gain on sale of oil and gas interests of $197,678;
- the quarter ended February 28, 2014 included a write-down of $145,500 and $126,330 on the Aspen and Yellow Chris properties, respectively, and a gain on warrants held of $662,778;
- the quarter ended November 30, 2013 included a loss of $1,928,197 from the sale of the Mutiny shares; and
- the quarter ended August 31, 2013 included a write-down of $1,227,706 on the Honeycomb Hills property and a gain of $692,946 from the sale of the Valleyview shares.

SUMMARY OF EXPLORATION ACTIVITIES – OIL AND GAS PROPERTIES

For the three months ended May 31, 2015, the Company incurred $16,625 in acquisition and exploration costs compared to $Nil in acquisition and exploration costs for the corresponding quarter ended May 31, 2014.

The total cumulative oil and gas interests to May 31, 2015 are summarized as follows:

	Canada	
	Montney $	**Total $**
Acquisition costs	1,008,640	1,008,640
Exploration expenditures		
Geological and engineering contractors	24,000	24,000
Lease rentals	7,168	7,168
Professional fees	625	625
Balance, May 31, 2015	**1,040,433**	**1,040,433**

The following is a breakdown of the changes in the material components of the Company's exploration oil and gas interests, on a property by property basis, for the quarter ended May 31, 2015 and 2014:

Change during the quarter ended May 31, 2015

	Canada	
	Montney $	**Total $**
Exploration expenditures		
Geological and engineering contractors	16,625	16,625
May 31, 2015	**16,625**	**16,625**

Change during the quarter ended May 31, 2014.

There were no changes during the quarter ended May 31, 2014.

Current Projects

Montney, Alberta, Canada

In September 2014, the Company acquired a 100% interest in a total of eight sections of crown petroleum and natural gas leases (the "Montney Leases") in the Government of Alberta's September 17, 2014 public offering of Crown land rights. The Montney Leases cover 2,048 hectares in North Western Alberta, have a four year exploration term, and require annual lease rentals of $7,168.

As at the date of this MD&A, the Company has not initiated any drilling or other exploration programs on these licenses.

SUMMARY OF EXPLORATION ACTIVITIES – MINERAL PROPERTIES

For the quarter ended May 31, 2015, the Company incurred $Nil in acquisition and exploration costs as compared to a net recovery of $21,797 in acquisition and exploration costs, net of mining tax credit recoveries of $80,670, for the corresponding quarter ended May 31, 2014.

As at May 31, 2015, the Company did not hold any mineral property interests as all properties were written off in the previous fiscal year.

LIQUIDITY, FINANCIAL POSITION, AND CAPITAL RESOURCES

The Company has no known resources and is not in commercial production on any of its properties and accordingly, the Company does not generate cash from operations. The Company finances development and exploration activities by raising capital from equity markets from time to time.

The Company's liquidity and capital resources are as follows:

	May 31, 2015	February 28, 2015
	$	$
Cash	961,378	1,184,261
Receivables	25,060	19,826
Prepaid expenses	71,504	78,068
Total current assets	**1,057,942**	**1,282,155**
Accounts payables and accrued liabilities	102,735	56,900
Total current liabilities	**102,735**	**56,900**
Working capital	**955,207**	**1,225,255**

Note: excludes the $850,000 loan receivable and 5,662,000 High North shares and 1,500,000 High North warrants exercisable at $0.50 that may be sold in the open market. Of the 5,662,000 High North shares, 900,000 are still subject to a pooling arrangement and cannot be sold as of the date of this report. The Company's ability to sell both these shares and any shares related to the exercise of the warrants for proceeds equal to the value of the financial assets shown on the statement of financial position at May 31, 2015 may not be representative of the carrying value of these investments as at the date of this report. The actual realizable value of these investments will depend on the pricing and market demand for High North shares at the time of sale.

The Company's operations consist of acquisition, maintenance and exploration of oil and gas assets including actively seeking joint venture partners to assist with exploration funding. Previously, the Company was also engaged in the exploration of Mineral Properties. The Company's financial success will be dependent on the extent to which it can discover new oil & gas resources. In order for the Company to continue to explore for oil and gas, the Company will need to raise additional financing through or a combination of equity offerings, debt, and joint venture activities.

At May 31, 2015, the Company had a cash position of $961,378 (May 31, 2014 - $3,346,486). The balance at May 31, 2015 consisted mainly of funds received from the sale of the Company's GORR oil and gas interest and the exercise of warrants and options during the 2015 fiscal year. Cash expenditures during the current quarter relate to funding administrative expenses.

The Company's continuation as a going concern is dependent upon successful results from its oil and gas property exploration activities and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. See "Risks and Uncertainties" below. Management intends to finance operating costs over the next twelve months with current cash on hand, proceeds from the exercise of stock options, and further equity financings if required. See "Risks and Uncertainties".

OFF BALANCE SHEET ARRANGEMENTS

The Company retained a 2.5% gross overriding royalty in any production on seven crown petroleum and natural gas leases located in north Western Alberta.

As at the date of this report, the Company has not received any royalty revenue in relation to this royalty.

COMMITMENTS

a) Commencing June 1, 2009, the Company entered into a three-year term lease agreement for office space in Vancouver, British Columbia. The Company receives recoveries on a month to month basis from various sub-tenants. On January 4, 2012, the Company signed a lease amending agreement extending the lease for an additional five years. The remaining minimum future lease payments, excluding operating costs are as follows:

June 1, 2015 to February 28, 2016	$80,302
March 1, 2016 to February 28, 2017	$107,070
March 1, 2017 to May 31, 2017	$26,768

b) In accordance with the Definitive Agreement signed with Petrel in October 2014, the Company may be required to issue 300,000 common shares of the Company to Petrel conditional upon certain land acquisition thresholds.

RELATED PARTY TRANSACTIONS

During the quarter ended May 31, 2015, the Company entered into the following transactions with related parties:

a) Incurred management fees of $45,000 (May 31, 2014 - $Nil) to Paul McDougall, former director and CEO of the Company. As at May 31, 2015, $46,720 (February 28, 2015 - $600) was included in accounts payable and accrued liabilities owing to Mr. McDougall. In July 2015, Mr. McDougall agreed to settle $60,000 of deferred salary for $30,000.

b) Incurred management fees of $45,000 (May 31, 2014 - $Nil) to Jamie Carlson, a director and the President and COO of the Company. As at May 31, 2015, $1,611 (February 28, 2015 - $647) was included in accounts payable and accrued liabilities owing to Mr. Carlson.

c) Incurred directors fees of $5,000 (May 31, 2014 - $15,000) to Brent Butler, a director of the Company.

d) Incurred management and consulting fees of $45,000 (May 31, 2014 - $45,000) to Graham Harris, a director and interim CFO of the Company. As at May 31, 2015, $Nil (February 28, 2015 - $603) was included in accounts payable and accrued liabilities owing to Mr. Harris.

e) Incurred management and consulting fees of $45,000 (May 31, 2014 - $45,000) to Bowering Projects Ltd., a company controlled by Andrew Bowering, a director and the former President and CEO of the Company. As at May 31, 2015, $Nil (February 28, 2015 - $802) was included in accounts payable and accrued liabilities owing to Mr. Bowering.

f) Incurred management and consulting fees of $6,500 (May 31, 2014 - $30,000) to Brian Morrison, a director of the Company.

g) Incurred management and consulting fees of $Nil (May 31, 2014 - $10,000) to Jasvir Kaloti, the former CFO of the Company.

h) Incurred exploration expenditures for geochemistry, drilling, and geological and engineering contractors of $Nil (May 31, 2014 - $45,153 to Sunrise Drilling Ltd., a company controlled by Graham Harris and Andrew Bowering.

i) Incurred management and consulting fees of $10,000 (May 31, 2014 - $10,000) to Marla Collier, the former Corporate Secretary of the Company. As at May 31, 2015, $Nil (February 28, 2015 - $92) was included in accounts payable and accrued liabilities owing to Ms. Collier.

j) Rent recoveries of $5,600 (May 31, 2014 - $23,093), office recoveries of $5,400 (May 31, 2014 - $4,800), and payroll recoveries of $4,000 (May 31, 2014 - $12,600) were received from companies related by way of common directors and officers; and

On August 11, 2014 the Company signed two Executive Employment Agreements, one with the President, COO, and director of the Company and the other with CEO and director of the Company. Each agreement states that the executive will earn an annual salary of $180,000 plus bonuses and is entitled to termination payments of one years' salary plus 10% of the salary for the loss of group benefits plus 50% of the total bonuses paid over the previous two calendar years. The agreement with the CEO, Paul McDougall, was cancelled in July 2015 upon payment of the settlement amount of $30,000.

As at May 31, 2015, the Company had a loan receivable of $305,084 (February 28, 2015 - $891,219) owing by High North and financial assets valued at $227,788 (February 28, 2015 - $450,924) in a company related by way of a common director.

Summary of key management personnel compensation:

	Three Months ended May 31,	
	2015 **$**	**2014** **$**
Directors fees	5,000	15,000
Management fees	196,500	114,500
	201,500	**129,500**

<u>RISKS AND UNCERTAINTIES</u>

The business and operations of the Company are subject to numerous risks, many of which are beyond the Company's control. The Company considers the risks set out below to be some of the most significant to potential investors in the Company, but not all of the risks are associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware or which it considers to be material in relation to the Company's business actually occur, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment.

The Company is engaged in the acquisition, exploration and development of oil and gas properties. Given the nature of the resource business, the limited extent of the Company's assets, and the present stage of exploration, the following risks factors, among others, should be considered.

Exploration, Development and Operating Risks

The Company is in the process of exploring its properties and has not yet determined whether any of the projects contain economically recoverable reserves and, therefore, does not generate any revenues from production. The recovery of expenditures on oil and gas and mineral properties and the related exploration and evaluation expenditures are dependent on the existence of economically recoverable mineralization, the ability of the Company to obtain financing necessary to complete the exploration and development of its Projects, and upon future profitable production, or alternatively, on the sufficiency of proceeds from disposition. Resource exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful.

Fluctuating Resource Prices

The economics of resource exploration are affected by many factors beyond the Company’s control, including commodity prices, the cost of operations, variations in the quantity and quality of oil and gas resources and fluctuations in the market price of those resources. Depending on the price of resources, the Company may determine that it is impractical to continue a resource exploration operation. Resource prices are prone to fluctuations and the marketability of resources are affected by government regulation relating to price, royalties, allowable production and the importing and exporting of resources, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any resources found on the properties.

Regulatory, Permit and License Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations concerning exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of oil and gas properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for facilities and the conduct of exploration and development operations on the properties will be obtainable on reasonable terms, or that such laws and regulations will not have an adverse effect on any exploration or development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of resource companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs, or require abandonment or delays in the development of new or existing properties.

Financing Risks and Dilution to Shareholders

The Company has limited financial resources and no revenues. The Company will require additional funds to continue exploring for oil and gas and mineral resources. Additionally, if the Company’s exploration programs on its Projects are successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favourable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company’s shareholders.

Title to Properties

Acquisition of title to oil and gas and mineral properties is a very detailed and time-consuming process. Title to, and the area of, oil and gas properties may be disputed. The Company cannot give an assurance that title to the properties will not be challenged or impugned. Oil and gas properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Optionors or the Company, as the case may be, does not have title to its properties could cause the Company to lose any rights to explore, develop and mine any resources or minerals on its properties without compensation for its prior expenditures relating to its properties.

Competition

The resource exploration and development industry is highly competitive. The Company will have to compete with other companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, oil and gas leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. Failure to compete successfully against other oil and gas and mining companies could have a material adverse effect on the Company and its prospects.

Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon the performance of its directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the resource business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas and mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

Local Resident Concerns

Apart from ordinary environmental issues, the exploration and development the Company's Projects could be subject to resistance from local residents that could either prevent or delay exploration and development of its properties.

Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including oil and gas and/or mineral resource companies) and, as a result of these and other activities, such directors and officers may become subject to conflicts of interest. The BCBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to an issuer, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Financial Assets

There is no certainty that the Company's loan receivable and financial assets (which include the High North warrants and common shares) will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value as at the date of this report.

Uninsurable Risks

Exploration, development and production operations on resource properties involve numerous risks, including unexpected or unusual geological and/or operating conditions, fires, floods, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of, producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company's shares.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Financial Statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses during the reporting period. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, valuation of share-based compensation and other equity based payments, valuation of financial assets at fair market value, and the recoverability and measurement of deferred tax assets and liabilities.

A detailed summary of the Company's significant accounting estimates is included in Note 2 to the unaudited condensed interim consolidated financial statements for the three months ended May 31, 2015.

ACCOUNTING PRONOUCEMENTS NOT YET ADOPTED

There were no significant changes to the Company's accounting policies during the quarter ended May 31, 2015.

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended February 28, 2016 and have not been applied in preparing the Company's consolidated financial statements. Management does not expect the new and / or revised standards, which will be effective to the Company's consolidated financial statements for the year ending February 28, 2019, to have an effect on the Company's reported financial position or results or operations:

a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is tentatively effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, loan receivable, financial assets, reclamation bonds, and accounts payable and accrued liabilities. The fair value of receivables and accounts payables and accrued liabilities approximates their carrying values. Cash, reclamation bonds, and financial assets are measured at fair value using level 1 inputs. The Company's investment in the High North warrants and the convertible portion of the High North debentures are measured using level 3 inputs to the Black Scholes valuation as disclosed in Notes 4 and 8. The principal portion of the High North debenture is measured using level 2 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and it currently has one property which is located in Canada. The Company is incurring all expenditures in Canadian dollars; as such, there is no foreign currency risk related to its property.

However, the Company is subject to risk in fluctuations in the exchange rate of the United States dollar as it holds a bank account denominated in United States dollars with a balance of US$17,510 as at May 31, 2015 (February 28, 2015 - US$17,563). Each 1% change in the Canadian dollar versus the United States dollar will result in a minimal gain/loss.

b) Credit risk

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and its receivables consist primarily of amounts due from the Canadian government and a related party company. The Company is not exposed to significant credit risk on these items.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company's loan receivable has a fixed interest rate of 12% per annum and it does not have any interest-bearing debt.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

e) Commodity price risk

The Company is subject to price risk for fluctuations in the market price of oil and gas through its investment in High North and its other oil and gas resource properties. Oil and gas prices are affected by numerous factors beyond the Company's control, including producer hedging activities, the relative exchange rate of the US with other major currencies, global and regional demand and political and economic conditions. Worldwide oil and gas production levels also affect oil and gas prices, and the price of oil and gas are occasionally subject to rapid short-term changes due to speculative activities. The Company does not actively manage its exposure to oil or gas price risk.

f) Market price risk

Market price risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The financial asset held by the Company is quoted on a public stock exchange and as such, the Company is subject to market risk. As at May 31, 2015, for every $0.01 change in the price of High North shares, the Company will realize a $56,620 net change in fair value, before taxes, on its investment in the shares and warrants.

DISCLOSURE OF DATA FOR OUTSTANDING COMMON SHARES, OPTIONS AND WARRANTS

Common Shares

The Company has one class of common shares. Below is a summary of the common shares issued and outstanding as at May 31, 2015 and the date of this report.

	As at May 31, 2015	As at that date of this report
Common shares	20,682,397	20,682,397
Stock options	1,730,000	1,205,000
Warrants	2,824,998	2,824,998

Stock Options

The Company has issued incentive options to certain directors, employees, officers, and consultants of the Company. As of the date of this report, there are three tranches as shown below.

Options Issue Date	Number of Options Outstanding	Exercise Price	Expiry Date
February 3, 2014	300,000	$0.155	February 3, 2019
August 11, 2014	805,000	$0.40	August 11, 2019
September 25, 2014	100,000	$0.50	September 25, 2019
Total:	**1,205,000**		

Warrants

The Company has issued warrants in relation to its private placement which closed in February 2014. As of the date of this report, the following warrants are outstanding:

Number of Warrants Outstanding	Exercise Price	Expiry Date
2,824,998	$0.16	February 18,2016
2,824,998		

EVALUATION OF DISCLOSURE CONTROLS & PROCEDURES

Management has evaluated the effectiveness of its disclosure controls and procedures and has concluded that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

OTHER MD&A REQUIREMENTS

Additional information relating to the Company may be found on or in:

- SEDAR at www.sedar.com;
- the Company's unaudited condensed interim consolidated financial statements for the three months ended May 31, 2015; and
- the Company's audited consolidated financial statements for the year ended February 28, 2015.

This MD&A was approved by the Board of Directors of Redhill Resources Corp. effective July 30, 2015.