



**Management Discussion and Analysis
For the three and nine months ended
November 30, 2014**

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 and nine months ended November 30, 2014 (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 January 29, 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 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, 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 gold bullion losses 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 January 29, 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 1177 West Hastings Street, Suite 2000, 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 was incorporated under the Business Corporations Act (British Columbia) on March 7, 2005 under the name "Pacific Mariner Mining Corp." and did not commence active business operations until September, 2005, at which point the Company began to raise equity financing for pursuing exploration and development of mineral projects. The Company changed its name to ATW Venture Corp. on November 3, 2005, to ATW Gold Corp. on October 21, 2008, and to Redhill Resources Corp. on January 14, 2011. On October 16, 2013, the Company consolidated its shares on a 10 old for 1 new basis. All current and comparative references to the number of common shares, warrants, options, weighted average number of common shares and loss per share have been restated to give effect to the ten for one share consolidation (unless otherwise stated).

The Company was engaged in the acquisition, exploration, and development of precious and base metal bearing properties and currently is seeking to acquire and development various oil and gas resource properties.

In addition, the Company closely follows the progress of High North Resources Ltd. ("High North"), a public company, of which the Company holds 6,000,000 common shares, 1,500,000 warrants, and 850 \$1,000 convertible debentures which provide the Company the ability to convert them into a further 1,000,000 common shares up to April 4, 2015. The initial acquisition of 3,000,000 High North shares were a result of the Company selling its interest in Valleyview Exploration Inc. to High North in July 2013.

In December 2012, the Company advanced \$300,000 to Valleyview Exploration Inc. ("Valleyview") in accordance with a convertible debenture agreement. In January 2013, the Company exercised its right to convert the advance into 3,000,000 common shares of Valleyview giving the Company a 30% interest in Valleyview. In July 2013, the Company sold its 30% interest in Valleyview to High North for 3,000,000 shares of High North valued at \$975,000. The High North shares are subject to a pooling agreement and will be released 10% on July 29, 2013, 20% on January 29, 2014, 20% on July 29, 2014, 20% January 29, 2015, and 30% July 29, 2015.

During the year ended February 2013, the Company issued 42,000 common shares with a total value of \$23,000 in connection with the Aspen mineral claims.

In August 2013, the Company abandoned its Utah Property, Honeycomb Hills, and wrote-down related exploration and evaluation assets of \$1,227,706.

In October 2013, the Company subscribed to an additional 3,000,000 units of High North at \$0.35 per unit for \$1,050,000 with each unit consisting of one common share and one-half warrant. Each whole warrant is exercisable for a period of two years from closing at \$0.50 per common share.

In November 2013, the Company sold 100% of its investment in Mutiny Gold Ltd. ("Mutiny"), consisting of 40,000,000 common shares, for net proceeds of \$1,322,008 (AUD \$1,344,050).

In December 2013, the Company acquired a 100% interest in seven crown petroleum and natural gas leases located in North Western Alberta from the Government of Alberta public offering of Crown land rights for \$1,962,752. The Company entered into a binding memorandum of understanding with High North whereby High North was granted the option to purchase the leases by April 18, 2014 by paying the Company the Bid Amount plus a premium of 10%. In April 2014, High North exercised its option to acquire the Company's Natural Gas and Petroleum Leases for \$2,162,405. The Company retained a 2.5% gross overriding royalty on any production from these leases.

In February 2014, the Company completed a non-brokered private placement which consisted of the issuance of 5,000,000 units at a price of \$0.12 per unit for gross proceeds of \$600,000. Each unit consisted of one common share and one share purchase warrant exercisable for a two year term at an exercise price of \$0.16 per common share. The Company paid share issue costs of \$3,750 in connection with this private placement.

During the year ended February 28, 2014, the Company issued 35,000 common shares valued at \$14,000 in connection with the Yellow Chris mineral claims and 30,000 common shares with a total value of \$6,000 in connection with the Aspen mineral claims. Additionally, during the year ended February 28, 2014, the Company terminated four of the five option agreements relating to the Aspen property resulting in a write down of related exploration and evaluation assets of \$145,500. Furthermore, the Company terminated the Yellow Chris property option agreement in March 2014 and wrote down related exploration and evaluation assets of \$126,330 as at February 28, 2014.

During the year ended February 28, 2014, the Company granted a total of 500,000 stock options at an exercise price of \$0.155 to various directors, officers and an employee of the Company which was valued at \$64,791 using the Black-Scholes option pricing model. In addition, the Company cancelled 367,000 stock options with a weighted average exercise price of \$1.15.

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 are payable semi-annually on October 3, 2014 (received) and April 4, 2015. Each debenture is 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 July 2014, the Company cancelled 91,000 share options with an exercise price of \$1.40 and an expiry date of January 18, 2017 and 726,000 share options with an exercise price of \$1.00 and various expiry dates. Of the 726,000 share options cancelled, 340,000 share options had an expiry date of October 6, 2015, 286,000 share options had an expiry date of April 27, 2016, 70,000 share options had an expiry date of December 15, 2016, and 30,000 share options had an expiry date of February 28, 2018.

In August 2014, the Company granted a total of 900,000 stock options at an exercise price of \$0.40 to various directors, officers and consultants of the Company which was valued at \$363,335 using the Black-Scholes option pricing model. In addition, the Company issued 430,000 options to various directors and officers of the Company who had 502,000 options cancelled in July 2014. The incremental fair value difference between the options cancelled and the new options granted was valued at \$90,084 using the Black Scholes option pricing model.

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 for \$1,008,640. The Montney Leases cover 2,048 hectares in northwestern Alberta.

In October 2014, the Company purchased certain intellectual property, all rights, and all geophysical/geological work associated with the Chinook prospect from Petrel Robertson Consulting Ltd. ("Petrel"). In consideration for the prospect, the Company agreed to pay Petrel \$100,000 upon signing of a definitive agreement (paid) and grant Petrel 100,000 share options exercisable over a five year term at an exercise price of \$0.50 (issued in September 2014 at a value of \$47,135). An additional 300,000 common shares of the Company will be issued to Petrel conditional upon certain land acquisition thresholds.

As at November 30, 2014, the Company had incurred a cumulative aggregate total of \$1,094,427 and \$639,092 in acquisition and exploration costs on the Aspen properties and Stikine Terrane project, respectively, for total exploration and evaluation costs of \$1,733,519 which includes a mining tax credit recovery of \$451,875. Additionally, the Company recovered a further \$11,199 on the Yellow Chris project from the receipt of the Company's mining tax credit. In September 2014, the Company terminated the option agreement for the Stikine Terrane project and the final option agreement for the Aspen project. The nine months ended November 30, 2014 included write-downs of exploration and evaluation assets of \$1,094,427 and \$639,092 for the Aspen and Stikine Terrane projects, respectively, and a recovery of previous write-downs of \$11,199 on the Yellow Chris project.

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".

SELECTED ANNUAL INFORMATION

As at November 30, 2014, 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 November 30, | | Nine Months Ended November 30, | |
|--|--|--------------------|---|--------------------|
| | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ |
| Revenues | - | - | - | - |
| Expenses | 748,663 | 240,719 | 1,830,536 | 894,851 |
| Other income (expenses) | 231,826 | (1,892,969) | (2,058,665) | (2,416,746) |
| Net loss for the period | (600,687) | (2,270,485) | (4,156,351) | (3,431,268) |
| Comprehensive loss for the period | (1,806,837) | (94,792) | (6,589,201) | (3,701,421) |
| Basic and diluted net loss per common share | (0.03) | (0.17) | (0.22) | (0.26) |
| Basic and diluted comprehensive loss per common share | (0.09) | (0.01) | (0.34) | (0.28) |
| | | | | |
| Exploration and evaluation assets | 1,016,433 | 1,812,048 | 1,016,433 | 1,812,048 |
| Total assets | 5,112,375 | 7,921,080 | 5,112,375 | 7,921,080 |
| Total long-term liabilities | - | - | - | - |
| Working capital | 2,448,528 | 3,962,371 | 2,448,528 | 3,962,371 |
| Dividends per share | - | - | - | - |

The Company's current projects are at the exploration stage and have not generated any revenues. The Company does receive income on its investments which are currently comprised of deposits at recognized financial institutions and a 12% convertible debenture investment with High North Resources Ltd.

At November 30, 2014, the Company had not yet achieved profitable operations and has accumulated losses of \$48,947,712 (November 30, 2013 – \$45,374,285) since inception. The net losses for the quarters ended November 30, 2014 and 2013 resulted in a net loss per share of \$0.03 and \$0.17, respectively, and a comprehensive loss per share of \$0.09 and \$0.01, respectively.

At November 30, 2014, 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 three months ended November 30, 2014 as compared to the three months ended November 30, 2013.

| Expenses | Increase / Decrease in Expenses | Explanation for Change |
|--|--|---|
| Investor relations | Increase of \$9,400 | Signed an agreement with a new investor relation firm during the quarter. |
| Management and consulting fees | Increase of \$63,360 | Two new officers and directors were hired during the prior quarter. |
| Professional fees | Increase of \$46,575 | Legal fees increased due to the acquisition of two new oil and gas interests. Additionally, the comparative quarter included a credit for the 2013 year audit fees. |
| Property investigation and due diligence | Increase of \$416,190 | Increased due to additional oil and gas property evaluation work. |

In addition to the above, the Company reported the following variations for the three months ended November 30, 2014 as compared to the three months ended November 30, 2013:

- a decrease of \$25,543 in foreign exchange loss due to the decrease in the Company's Australian net assets held;
- an increase of \$159,782 in the loss on warrants held as the result of a revaluation using the Black Scholes pricing model;
- a decrease of \$19,246 in the gain on debentures held as the result of a revaluation using the Black Scholes pricing model;
- an increase of \$19,335 in interest income as a result of having additional funds to invest in interest bearing investments;
- a decrease of \$1,903,834 in the loss on sale of financial assets as no assets were sold during the current quarter; and
- a decrease of \$380,654 in the write-down of exploration and evaluation assets as the Company received its mining tax credit for fiscal 2014 during the current fiscal quarter.

The table below details the significant changes in administrative expenditures for the nine months ended November 30, 2014 as compared to the nine months ended November 30, 2013.

| Expenses | Increase / Decrease in Expenses | Explanation for Change |
|--|--|--|
| Management and consulting fees | Increase of \$177,741 | Two new officers and directors were hired during the period as well as increased consulting fees due to the search for additional resource properties. |
| Office and rent | Decrease of \$9,663 | Increased recoveries being recuperated from charging third parties. |
| Professional fees | Increase of \$30,133 | Legal fees increased due to the general increase in corporate activity during the third quarter. |
| Property investigation and due diligence | Increase of \$482,469 | Increased due to additional mineral and oil and gas property evaluation work. |
| Salaries and wages | Decrease of \$9,995 | Increased recoveries being recuperated from charging third parties. |
| Share-based compensation | Increase of \$453,419 | Options were granted during the current period. |

In addition to the above, the Company reported the following variations for the nine months ended November 30, 2014 as compared to the nine months ended November 30, 2013:

- a decrease of \$197,375 in foreign exchange loss due to the decrease in the Company's Australian net assets held;
- a decrease of \$17,946 in equity loss on investment in associate which relates to the Company's share of Valleyview's losses from March 1, 2013 to July 23, 2013;
- a decrease of \$692,946 in gain on sale of investment in associate as a result of the sale of the Valleyview common shares to High North;
- an increase of \$199,653 in the gain on sale of oil and gas interests due to the sale of oil and gas properties to High North Resources.;
- an increase of \$618,614 in the loss on warrants held as the result of a revaluation using the Black Scholes pricing model;
- an increase of \$40,066 in interest income as a result of having additional funds to invest in interest bearing investments;
- a decrease of \$1,903,834 in the loss on sale of financial assets as no assets were sold during the current period; and
- an increase of \$494,614 in the write-down of exploration and evaluation assets as the Company wrote-down more exploration and evaluation costs during the current fiscal period.

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.

| | 3rd Quarter | 2nd Quarter | 1st Quarter | 4th Quarter |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Three Months Ended | November 30, 2014 | August 31, 2014 | May 31, 2014 | February 28, 2014 |
| | \$ | \$ | \$ | \$ |
| Total revenue | - | - | - | - |
| Net income (loss) | (600,687) | (3,385,782) | (169,882) | 306,684 |
| Total comprehensive income gain (loss) | (1,806,837) | (4,142,682) | (639,682) | 2,082,959 |
| Comprehensive income (loss) per share-basic and diluted | (0.09) | (0.22) | (0.03) | 0.16 |

| | 3rd Quarter | 2nd Quarter | 1st Quarter | 4th Quarter |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Three Months Ended | November 30, 2013 | August 31, 2013* | May 31, 2013* | February 28, 2013* |
| | \$ | \$ | \$ | \$ |
| Total revenue | - | - | - | - |
| Net income (loss) | (2,270,485) | (805,931) | (354,852) | (952,457) |
| Total comprehensive income (loss) | (94,792) | (1,166,577) | (2,440,052) | (1,493,049) |
| Comprehensive income (loss) per share-basic and diluted | (0.01) | (0.09) | (0.18) | (0.11) |

* 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 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;
- 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;
- the quarter ended February 28, 2013 included an impairment of advances of \$729,815 for the loans with Thamani and a write down of \$143,457 for the Nyakagwe property.

SUMMARY OF EXPLORATION ACTIVITIES – OIL AND GAS PROPERTIES

For the nine months ended November 30, 2014, the Company incurred \$1,016,433 in acquisition and exploration costs compared to \$Nil in acquisition and exploration costs for the corresponding nine months ended November 30, 2013. Additionally, the Company also recovered \$1,962,752 of costs associated with an oil and gas interest during the current fiscal period as compared to \$Nil during the comparative fiscal period.

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 nine months ended November 30, 2014 and 2013:

Changes during the nine months ended November 30, 2014

| | Canada | | Total \$ |
|--------------------------|------------------|--------------------|------------------|
| | Montney \$ | GORR \$ | |
| Acquisition costs | 1,008,640 | - | 1,155,775 |
| Exploration expenditures | | | |
| Lease rentals | 7,168 | - | 7,168 |
| Professional fees | 625 | - | 625 |
| Subtotal | 1,016,433 | - | 1,016,433 |
| Recovery on disposal | - | (1,962,752) | (1,962,752) |
| November 30, 2014 | 1,016,433 | (1,962,752) | (946,319) |

Changes during the nine months ended November 30, 2013

The Company did not hold any oil and gas Properties as at November 30, 2013.

The total cumulative oil and gas interests to November 30, 2014 are summarized as follows:

| | Canada | | Total \$ |
|--------------------------|------------------|-------------|------------------|
| | Montney \$ | GORR \$ | |
| Acquisition costs | 1,008,640 | 1,962,752 | 2,971,392 |
| Exploration expenditures | | | |
| Lease rentals | 7,168 | - | 7,168 |
| Professional fees | 625 | - | 625 |
| Subtotal | 1,016,433 | 1,962,752 | 2,979,185 |
| Recovery on disposal | - | (1,962,752) | (1,962,752) |
| November 30, 2014 | 1,016,433 | - | 1,016,433 |

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.

GORR Lands, Alberta, Canada

In December 2013, the Company acquired a 100% interest in seven crown petroleum and natural gas leases (the "Leases") from the Government of Alberta public offering of Crown land rights for \$1,962,752 (the "Bid Amount"). The Leases are located in North Western Alberta.

The Company entered into a binding memorandum of understanding with High North whereby High North was granted the option to purchase the leases by April 18, 2014 by paying to the Company the Bid Amount plus a premium of 10%.

In May 2014, High North exercised its option to acquire the Leases by paying the Company \$2,162,405 which resulted in the Company recording a gain on the sale of the oil and gas interests of \$199,653.

The Company retained a 2.5% gross overriding royalty in any production for the Leases. As of the date of this report, there is no production from these leases.

SUMMARY OF EXPLORATION ACTIVITIES – MINERAL PROPERTIES

For the nine months ended November 30, 2014, the Company incurred \$148,658 in exploration costs, net of mining tax credit recoveries of \$463,074, compared to \$1,381,148 in exploration costs, net of mining tax credit recoveries of \$Nil, for the corresponding nine months ended November 30, 2013. However, the Company also wrote-down \$1,722,320 of exploration expenditures during the current fiscal period as compared to \$1,227,706 during the comparative fiscal period.

During the quarter ended November 30, 2014, the Company recorded a mining tax credit of \$382,404 and geological and engineering costs of \$1,750 which were the only activities during the quarter in relation to the Company's mineral properties. The mining tax credit reduced the overall property write-downs.

The following is a breakdown of the changes in the material components of the Company's exploration and evaluation assets, on a property by property basis, for the nine months ended November 30, 2014 and 2013:

Change during the nine months ended November 30, 2014

| | Canada | | | Total \$ |
|---|--------------------|-----------------------|--------------------------|--------------------|
| | Aspen \$ | Yellow Chris \$ | Stikine Terrane \$ | |
| Exploration expenditures (recoveries) | | | | |
| Geochemistry | - | - | 575 | 575 |
| Drilling and metallurgical | - | - | 485,338 | 485,338 |
| Geological and engineering contractors | - | - | 125,729 | 125,729 |
| Mining tax credit | (450,825) | (11,199) | (1,050) | (463,074) |
| Subtotal | (450,825) | (11,199) | 610,592 | 148,568 |
| Recovery (Write-down) of exploration and evaluation assets | (1,094,427) | 11,199 | (639,092) | (1,722,320) |
| November 30, 2014 | (1,545,252) | - | (28,500) | (1,573,752) |

Changes during the nine months ended November 30, 2013

| | Canada | | USA | Total \$ |
|--|------------------|-----------------------|--------------------------|----------------|
| | Aspen \$ | Yellow Chris \$ | Honeycomb Hills \$ | |
| Acquisition costs | 13,500 | 89,000 | - | 102,500 |
| Exploration expenditures | | | | |
| Geochemistry | 27,367 | - | - | 27,367 |
| Drilling and metallurgical | 945,287 | - | - | 945,287 |
| Geological and engineering contractors | 270,216 | 35,778 | - | 305,994 |
| Subtotal | 1,256,370 | 124,778 | - | 1,381,148 |
| Write-down of exploration and evaluation assets | - | - | (1,227,706) | (1,227,706) |
| November 30, 2013 | 1,256,370 | 124,778 | (1,227,706) | 153,442 |

The total cumulative exploration and evaluation assets to November 30, 2014 are summarized as follows:

| | Canada | | | Total \$ |
|--|-------------|-----------------------|--------------------------|-------------|
| | Aspen \$ | Yellow Chris \$ | Stikine Terrane \$ | |
| Acquisition costs | 30,000 | 89,000 | 25,000 | 144,000 |
| Exploration expenditures (recoveries) | | | | |
| Geochemistry | 51,835 | - | 575 | 52,410 |
| Drilling and metallurgical | 945,287 | - | 485,338 | 1,430,625 |
| Geological and engineering contractors | 517,481 | 37,330 | 129,229 | 684,040 |
| General administration | 649 | - | - | 649 |
| Mining tax credit | (450,825) | (11,199) | (1,050) | (463,074) |
| Subtotal | 1,094,427 | 115,131 | 639,092 | 1,848,650 |
| Write-down of exploration and evaluation assets | (1,094,427) | (115,131) | (639,092) | (1,848,650) |
| Balance, November 30, 2014 | - | - | - | - |

Projects written down or disposed of during the nine months ended November 30, 2014

British Columbia, Canada

Aspen Property

The Company's Aspen property covered 4,052.50 hectares in the Blackwater area of the Nechako Plateau region, approximately 100 km south-southwest of Vanderhoof, British Columbia. The Blackwater area of the Nechako Plateau continues to be a focal point of exploration for many companies due to the recent discovery of a world class gold-silver deposit by New Gold Inc. The Aspen property is strategically located approximately 26 km northeast of the Blackwater gold-silver deposit (New Gold Inc.).

Most of the Aspen property is underlined by middle to upper Jurassic volcanic and sedimentary rocks of Hazelton Group intruded by felsic intrusive rocks of Late Cretaceous to Tertiary age, the same geological setting present at New Gold's Inc.'s Blackwater deposit.

During the year ended February 28, 2014, the Company terminated four of the five option agreements. On September 30, 2014, the Company terminated the remaining option agreement; and as such, wrote down the property as at August 31, 2014.

Property Agreements

In August 2012, the Company entered into a mineral property option agreement with Mountain Boy Minerals Ltd. (TSX-V: MTB) and Decade Resources Ltd. (TSX-V: DEC), for the purchase of a 60% interest in 50 mineral claims in the Nechako Plateau region of British Columbia, the Aspen properties. The Company had the ability to purchase a further 20% interest making their total interest 80% in the property. The Company terminated this agreement in July 2013.

In September 2012, the Company entered into a mineral claim option agreement with Ronald J. Bilquist, the Optionor, later amended in September 2013, for the purchase of a 100% interest in 6 mineral claims in the Nechako Plateau region of British Columbia, adding to the Aspen Properties. The Company terminated this agreement in February 2014.

In October 2012, the Company entered into a mineral claim option agreement with Jared Henrickson, the Optionor, for the purchase of a 100% interest in 9 mineral claims in the Nechako Plateau region of British Columbia., adding to the Aspen Properties. This is the only remaining option agreement for the Aspen properties. The agreement was amended in October 2013. The Company terminated this agreement in September 2014.

In December 2012, the Company entered into a mineral claim option agreement with TTM Resources Inc., the Optionor, for the purchase of a 100% interest in 3 mineral claims in the Nechako Plateau region of British Columbia., adding to the Aspen Properties. The agreement was terminated in November 2013.

In February 2013, the Company entered into a mineral claim option agreement with Omega Exploration Services Inc., the Optionor, for the purchase of a 100% interest in 4 mineral claims in the Nechako Plateau region of British Columbia., adding to the Aspen Properties. The Company abandoned this option agreement during the year ended February 28, 2014.

Stikine Terrane (SAT) Property

The Company's SAT property consisted of 10 mining claims, located in the Stikine Terrane district of British Columbia. Located in north-central B.C., approximately 50km northeast of Smithers, southwest of Babine Lake and west of the town of Granisle, the SAT Property comprises 10 road accessible claims covering approximately 4,260 hectares. It is located within prospective Stikine Terrane with known copper porphyry deposits including the historical Granisle and Bell mines as well as the Big Onion and Morisson deposits. The SAT property is considered a copper-gold-molybdenum porphyry target.

The SAT Property has limited historical work conducted between 1975 and 1982 including a small drilling program done by Amoco Canada. Nineteen holes drilled focused on the IP chargeability high, and subsequent authors postulated that drilling may have been located in the pyritic halo of a possible copper deposit. Subsequent to 1982, there has been no work reported for this property.

Property Agreement

On January 28, 2014, the Company entered into an option agreement with optionors to acquire 100% in the 10 mining claims. Under the terms of the option agreement, the Company is required to make aggregate cash payments totalling \$225,000, issue 600,000 common shares and commit to \$1,550,000 in work commitments over a three year period. In addition, the Company will grant a 1.5% NSR in favour of the optionors. The Company can purchase 1% of the NSR for \$900,000 at any time, leaving the optionors with a 0.5% royalty interest.

On September 28, 2014, the Company terminated the option agreement; and as such, the Company wrote down the Stikine Terrane property as at August 31, 2014.

Projects written down or disposed of during the year ended February 28, 2014

Honeycomb Hills Project, Utah, United States of America

On November 2, 2010, the Company entered into an agreement with 0857796 B.C. Ltd., a private company, for the purchase of a 100% interest in 64 unpatented lode claims in western Utah. The agreement was terminated in March 2011. Redhill paid \$250,000 and issued 7,500,000 common shares to the vendor.

The lode claims comprise the Honey1-5 and the HC claims. These claims are collectively known as the Honeycomb Hills Project. The project area of the Property covers approximately 2 square kilometres and is located in the Fish Creek District, Juab County approximately 2.5 hours southwest of Salt Lake City.

The Honeycomb Hills Project is in close proximity to Great Western Minerals Group's (GWMG) Deep Sands REE project.

The property comprises an alkalic rhyolite flow dome complex which exhibits highly anomalous rare earth elements, lithium, beryllium, and rubidium. Mineralization occurs throughout the dome but appears to be higher in grade within a flat to gently dipping sequence of rhyolite tuffs and breccias. Initial surface sampling report assays of up to 1043 ppm total rare earth oxides (TREO), 1690 ppm lithium, greater than 1000 ppm beryllium and 1270 ppm rubidium. Detailed mapping shows an anomalous area of roughly 500 by 1000 meters with a satellite anomalous area of 500 by 500 meters. In addition, both anomalies are flanked by quaternary alluvium and could extend substantially under shallow cover.

On April 14, 2011 the Company completed a 4.5 line kilometre Induced Polarization Survey (IP) at the Company's Honeycomb Hills project.

In June 2011 the Company commenced additional mapping and sampling. This secondary program is intended to follow up on the previous mapping and sampling program that reported assays of up to 1043 ppm total rare earth oxides (TREO), 1690 ppm lithium, greater than 1000 ppm beryllium and 1270 ppm rubidium. Detailed mapping shows an anomalous area of roughly 500 by 1000 metres with a satellite anomalous area of 500 by 500 metres. In addition, both anomalies are flanked by quaternary alluvium and could extend substantially under shallow cover. The work program includes an extensive soil sampling grid to possibly outline anomalous areas under shallow cover suggested by an earlier geophysical survey. In addition, detailed mapping and sampling of historical mine workings has been completed.

In August 2013, the Company abandoned the property.

Yellow Chris South, British Columbia, Canada

The Yellow Chris South property is located east of the town Iskut, British Columbia. The Property is comprised of three licenses totaling 12.86 square kilometers in the Liard mining district, Red Chris region of northwestern British Columbia. The Yellow Chris South property has been optioned from Teuton Resources Corp. ("Teuton").

The Yellow Chris South property adjoins Colorado Resources Ltd.'s North Rok property to the north and east, and is situated within a couple of kilometers of Colorado's discovery hole reported as running 242 metres averaging 0.63% copper and 0.85 g/t gold.

Previous work on the Yellow Chris South Property, including geophysical and geochemical sampling, has identified a geophysical setting similar to that at the North Rok property. Recent geophysical surveying by Colorado is reported to have identified magnetic anomalies trending onto Redhill ground.

The property is underlined by greenish to purple andesitic volcanic rocks with a lesser amount of sedimentary rocks. These rocks were in many places intruded by diorite. Andesitic rocks which consist mostly of crystal to ash tuff are replaced by secondary chlorite, carbonates and lesser epidote. Sedimentary rocks are represented by mica schist and shale. Diorite (sporadically monzonite) is medium to coarse grained rock.

In most places, andesitic rocks (and to much lesser extent diorite) were found to contain variable amounts (up to 5%) of disseminated magnetite. Mag highs detected by 2010 airborne geophysical survey most likely represent areas with more abundant disseminated magnetite. A large area of mag low located on the border of claims 668145 and 668146 is underlain by mica schist.

Option Agreement

In June 2013, the Company signed an option agreement with Teuton to acquire a 50% interest in several mineral claims in British Columbia subject to the following:

- i) Make a cash payment of \$75,000 (paid) within 5 days of signing the letter of intent;
- ii) issue 350,000 common shares of the Company within 5 days of Exchange approval (issued July 15, 2013 at a value of \$14,000);
- iii) on or before July 15, 2014, make a cash payment of \$75,000 and issue 350,000 common shares of the Company;
- iv) on or before July 15, 2015, make a cash payment of \$75,000 and issue 350,000 common shares of the Company; and
- v) on or before July 15, 2016, make a cash payment of \$75,000 and issue 350,000 common shares of the Company.

To keep the option in good standing, the Company also has to incur \$4,500,000 in exploration expenditures on the claims as follows:

- i) \$450,000 before May 6, 2014;
- ii) \$1,200,000 in aggregate before May 6, 2015;
- iii) \$2,400,000 in aggregate before May 6, 2016; and
- iv) \$4,500,000 in aggregate before May 6, 2017.

The Company may, after exercising the option, earn an additional 10% interest by paying the optionor \$200,000, issuing 350,000 common shares of the Company, and incurring additional exploration expenditures on the claims aggregating \$2,000,000 within two years of the date of the Second Option Notice.

On March 3, 2014, the Company terminated the option agreement; and as such, the Company wrote down the Yellow Chris property as at February 28, 2014. In November 2014, the Company recorded a mining tax credit recovery of \$11,199 which reduced the overall write down.

Quality Assurance/Quality Control

Brent Butler, B.Sc. In Geology; Fellow Member of SEG, and FGS, and Member of AusIMM and PDAC who is the Company's Qualified Person as defined under NI 43-101 and director of the Company, has reviewed and approved the contents of the Discussion on Properties section above.

LIQUIDITY, FINANCIAL POSITION, AND CAPITAL RESOURCES

The Company has no known mineral 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:

| | November 30, 2014 | February 28, 2014 |
|----------------------------------|------------------------------|------------------------------|
| | \$ | \$ |
| Cash | 1,254,471 | 2,260,317 |
| Receivables | 411,825 | 11,828 |
| Loan receivable | 868,825 | - |
| Prepaid expenses | 97,114 | 76,148 |
| Total current assets | 2,632,235 | 2,348,293 |
| Payables and accrued liabilities | 183,707 | 63,144 |
| Total current liabilities | 183,707 | 63,144 |
| Working capital | 2,448,528 | 2,285,149 |

Note: excludes the 6,000,000 High North Resources shares and 1,500,000 High North Resources warrants exercisable at \$0.50 that may be sold in the open market. Of the 6,000,000 High North Resources 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 November 30, 2014 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 Resources shares at the time of sale.

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

At November 30, 2014, the Company had a cash position of \$1,254,471 (November 30, 2013 - \$3,936,039). The balance at November 30, 2014 consisted mainly of funds received from the sale of the Company's oil and gas interests during the first quarter of the 2015 fiscal year and the exercising of warrants and options during the current and previous quarter. Cash decreased by \$1,423,019 during the quarter ended November 30, 2014, as compared to an increase of \$46,011 during the quarter ended August 31, 2013, as a result of increased administrative expenses being incurred and the purchase of new oil and gas interests during the current quarter. The comparative quarter increased as a result of selling the Mutiny shares, purchasing additional High North shares, funding its administrative costs, and incurring exploration expenditures.

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:

| | |
|---------------------------------------|-----------|
| December 1, 2014 to February 28, 2015 | \$ 24,982 |
| March 1, 2015 to February 28, 2016 | 105,286 |
| 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 nine months ended November 30, 2014, the Company entered into the following transactions with related parties:

- a) Incurred management fees of \$80,962 (November 30, 2013 - \$Nil) to Paul McDougall, a director and the CEO of the Company.
- b) Incurred management fees of \$80,962 (November 30, 2013 - \$Nil) to Jamie Carlson, a director and the President and COO of the Company.
- c) Incurred directors fees of \$43,333 (November 30, 2013 - \$Nil) to Brent Butler, a director of the Company. As at November 30, 2014, \$3,333 (February 28, 2014 - \$Nil) was included in accounts payable and accrued liabilities owing to Mr. Butler.
- d) Incurred management and consulting fees of \$Nil (November 30, 2013 - \$45,761) to World Technical Services Group Pty., a company controlled by Brent Butler, a director of the Company.
- e) Incurred management and consulting fees of \$135,000 (November 30, 2013 - \$135,000) to Graham Harris, a director and interim CFO of the Company. As at November 30, 2014, \$603 (February 28, 2014 - \$Nil) was included in accounts payable and accrued liabilities owing to Mr. Harris.
- f) Incurred management and consulting fees of \$135,000 (November 30, 2013 - \$127,500) to Bowering Projects Ltd., a company controlled by Andrew Bowering, a director and the former President and CEO of the Company. As at November 30, 2014, \$930 (February 28, 2014 - \$1,894) was included in accounts payable and accrued liabilities owing to Mr. Bowering.
- g) Incurred management and consulting fees of \$13,500 (November 30, 2013 - \$25,500) to Brian Morrison, a director of the Company.
- h) Incurred management and consulting fees of \$10,000 (November 30, 2013 - \$90,000) and salaries of \$56,000 (November 30, 2013 - \$Nil) to Jasvir Kaloti, the former CFO of the Company. As at November 30, 2014, \$Nil (February 28, 2014 - \$1,631) was included in accounts payable and accrued liabilities owing to Ms. Kaloti.
- i) Incurred exploration expenditures for geochemistry, drilling, and geological and engineering contractors of \$526,983 (November 30, 2013 - \$1,257,935) and property investigation and due diligence fees of \$44,989 (November 30, 2013 - \$Nil) to Sunrise Drilling Ltd., a company controlled by Graham Harris and Andrew Bowering.

- j) Incurred management and consulting fees of \$Nil (November 30, 2013 - \$10,000) to Clive Massey, a former director and a former President and CEO of the Company.
- k) Incurred management and consulting fees of \$40,000 (November 30, 2013 - \$Nil) to Marla Collier, the Corporate Secretary of the Company. As at November 30, 2014, \$1,275 (February 28, 2014 - \$Nil) was included in accounts payable and accrued liabilities owing to Ms. Collier.
- l) Rent recoveries of \$41,193 (November 30, 2013 - \$83,494), office recoveries of \$19,600 (November 30, 2013 - \$Nil), and payroll recoveries of \$47,600 (November 30, 2013 - \$31,700) were received from companies related by way of common directors and officers.

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.

As at August 31, 2014, the Company had a loan receivable of \$868,825 (November 30, 2013 - \$Nil) and financial assets valued at \$1,424,164 (November 30, 2013 - \$1,050,000) with High North, a company related by way of a common director.

Summary of key management personnel compensation:

| | Nine months ended November 30, | |
|--------------------------|---|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Directors fees | 43,333 | - |
| Management fees | 495,424 | 433,761 |
| Share-based compensation | 392,864 | |
| | 931,621 | 433,761 |

RISKS AND UNCERTAINTIES

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 grade 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 operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, any of which could result in damage to, or destruction of, mines and other 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 and nine months ended November 30, 2014.

ACCOUNTING PRONOUCEMENTS NOT YET ADOPTED

There were no significant changes to the Company's accounting policies during the nine months ended November 30, 2014.

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended February 28, 2015 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 receivables, financial assets, reclamation bonds, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, loan receivables, reclamation bonds, and financial assets, 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. 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

While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company was also conducting business activities in Australia through its wholly owned subsidiary; as such, it was subject to risk in fluctuations in the exchange rate of the Australian dollar. As at November 30, 2014, the Company has cash denominated in AUD dollars of AUD \$Nil (February 28, 2014 – AUD \$116,726), receivables of AUD \$Nil (February 28, 2014 – AUD \$5,135), prepaids of AUD \$Nil (February 28, 2014 - \$2,000), and accounts payable of AUD \$Nil (February 28, 2014 – AUD \$385). Each 1% change in the Canadian dollar versus the Australian dollar will result in a gain/loss of approximately \$Nil (February 28, 2014 - \$1,200).

In addition, the Company also holds a bank account denominated in United States dollars; therefore, it is also subject to risk in fluctuations in the exchange rate of the United States dollar. As at November 30, 2014, the Company has cash denominated in United States dollars of US \$15,280 (February 28, 2014 – US \$45,613). Each 1% change in the Canadian dollar versus the United States dollar will result in a gain/loss of approximately \$150 (February 28, 2014 - \$500).

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 and Australian financial institutions and its receivables consist primarily of amounts due from the Canadian and Australian government and a related party company. The Company is not exposed to significant credit risk on these items; however, the Company is exposed to credit risk on its loan receivable with High North.

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 central bank sales, 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 public stock exchange and as such, the Company is subject to market risk. For every \$0.01 change in the price of High North shares, the Company will realize a \$72,000 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 November 30, 2014 and the date of this report.

| | As at November 30, 2014 | As at that date of this report |
|---------------|------------------------------------|---|
| Common shares | 20,682,397 | 20,682,397 |
| Stock options | 1,730,000 | 1,730,000 |
| 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 | 1,330,000 | \$0.40 | August 11, 2019 |
| September 25, 2014 | 100,000 | \$0.50 | September 25, 2019 |
| Total: | 1,730,000 | | |

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 and nine months ended November 30, 2014; and
- the Company's audited consolidated financial statements for the year ended February 28, 2014.

This MD&A was approved by the Board of Directors of Redhill Resources Corp. effective January 29, 2015.