

OPAL ENERGY CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
May 31, 2015
Quarter ended March 31, 2015



The following management's discussion and analysis ("MD&A") prepared effective May 31, 2015 should be read in conjunction with the audited financial statements of Opal Energy Corp. ("Opal") for the year ended December 31, 2013 and accompanying notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements. All figures are in Canadian dollars (unless otherwise stated). Please refer to the cautionary notes at the end of this MD&A.

Overall Performance

Opal Energy Corp. (the "Company") is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia and its shares are listed on the TSX Venture Exchange, having the symbol OPA. The Company is considered to be an exploration and evaluation stage company.

Firebag River Property, Alberta, Canada

On September 23, 2014, The Company signed a property option agreement, with Declan Resources Inc. ("Declan") and 877384 Alberta Ltd. (the "Optionor") to earn up to 75% interest in the Firebag River Property ("Firebag Property") located southwest of the Athabasca Basin in northeast Alberta. The Company considers the property to be significantly prospective and underexplored. It is situated southwest of the Athabasca Basin and consists of six metallic and industrial minerals permits encompassing approximately 50,000 ha. It is west of Fission uranium Patterson Lake South (PLS) uranium occurrence, and about 30 km south of the southernmost mapped margin of the basin.

The option agreement requires the company to make exploration expenditures of \$850,000 prior to November 22, 2016. The Company reimbursed Declan's option payment of \$85,000 and exploration expenditures incurred to date of \$71,527.18 and in addition made cash payments of \$250,000 and will issue four million shares over a two year period following TSX Venture Exchange ("TSXV") approval of the acquisition which was received on March 2, 2015. In the event the Company earns a 70% interest in the Firebag Property it will joint venture development of the property with Declan on a 70%(Opal) 30% (Declan) basis. Opal can acquire an additional 5% interest in the joint venture at any time by issuing Declan 500,000 Opal shares. The Optionor retained a 2% Net Smelter Royalty ("NSR") on metals and a 4% Gross Overriding Royalty with respect to other, non-metallic commodities which are produced from the Firebag Property. (Note 8 of the Consolidated Financial Statements as of December, 2014)

For the three months ended at March 31, 2015, the Company had capitalized cost of \$588,016 (March 31, 2014 - \$nil) on the Firebag Property.

In May 2010 Opal entered into a Joint Exploration and Development Agreement with Hydrocarbon Operating Inc. (HOI) and HR GeoConsultants LLC to explore various prospects in Starr County, Texas. This agreement grants Opal the option

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of acquiring a 10% working interest in any drilling undertaken by HOI in the prescribed area. Should Opal decline to participate it will retain an Overriding Royalty Interest. Subsequently one well was drilled and Opal declined to participate but a modest production is ongoing and Opal receives a 1% override. As of March 31, 2015 Opal has no natural gas wells in production other than the override mentioned above.

Results of Operations

The following selected information is for the three months period ended March 31, 2015 and 2014:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Revenues (including interest and other income)	\$ 890	\$ 1,456
Loss before finance income, interest expense and foreign exchange loss	124,853	10,511
Loss for the period	127,863	17,168
Basic and diluted loss per common share	\$ 0.00	\$ 0.00
Total Assets	\$ 1,391,173	\$ 570
Total Long-Term Financial Liabilities	nil	

Expenses

Opal's administrative costs increased by \$115,232 to \$125,742 for the first quarter 2015 as compared to \$10,511 in the first quarter of 2014. These increases were primarily due to increased consulting fee, professional fees, office expense, transfer agent and regulatory fees and rent expense as follows:

- Consulting expense increased \$74,024 to \$77,024 for the first quarter of 2015 from \$3,000 for the same period of 2014. The increase occurred as the result of increased management advisory costs.
- Professional fees increased \$10,984 to \$10,984 for the first quarter of 2015 from \$nil for the same period of 2014. This increase occurred as a result of legal cost related to the increase in the complexity of Opal's business in 2015.
- Rent expense increased \$16,500 to \$16,500 for the first quarter of 2015 from \$nil for the same period of 2014. This is because Opal renewed the office lease agreement in the third quarter of 2014.

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- Transfer agent and regulatory fees increased \$6,879 to \$10,414 for the first quarter of 2015 from \$3,535 for the same period of 2014. The increase occurred as a result of increased financing activities in 2015.
- Travel expense increased \$1,652 to \$5,311 for the first quarter of 2015 from \$3,659 for the same period of 2014. The increase was the result of increase in exploration activities in 2015.

Interest and Other Income (Expense)

Interest expense was \$3,059 in the first quarter of 2015 as compared to \$8,113 in the first quarter of 2014. The decrease resulted from the settlement of old loans by the issue of shares in 2014 and the interest attributable to additional loans obtained in 2014 and during the first quarter of 2015.

The other income in the first quarter 2015 was \$890, compared to \$1,456 for the same period of 2014. Due to a drop in production and therefore royalty interest from the joint Exploration and Development Agreement with Hydrocarbon Operating Inc. (HOI).

Loss

The loss for the first quarter of 2015 was \$127,863 as compared to a loss of \$17,168 for the first quarter of 2014, an increase in loss of \$110,695. The increase was primarily due to increased consulting expense, professional fees, travel expenses, transfer agent and regulatory fees and rent expense as discussed in detail under “Expenses”.

Summary of Quarterly Results

The following table sets out selected unaudited financial information for the eight most recent quarters.

	Quarter ended March 31, 2015	Quarter ended December 31, 2014	Quarter ended September 30, 2014	Quarter ended Jun 30, 2014
Revenues(including interest & other income)	\$ 890	\$ 981	\$ 813	\$ 708
Loss before finance income, interest expense and foreign exchange loss	\$ 124,853	\$ 237,229	\$ 55,574	\$ 20,911
Loss for the period	\$ 127,863	\$ 241,766	\$ 61,287	\$ 25,487
Basic and diluted loss per common share	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.00)

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	Quarter ended March 31, 2014	Quarter ended December 31, 2013	Quarter ended September 30, 2013	Quarter ended Jun 30, 2013
Revenues(including interest & other income)	\$ 1,456	\$ 855	\$ 1,735	\$ 1,072
Loss before finance income, interest expense and foreign exchange loss	\$ 10,511	\$ 9,233	\$ 20,911	\$ 36,089
Loss for the period	\$ 17,168	\$ 15,715	\$ 25,487	\$ 41,236
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Note: Fully diluted earnings (loss) per share was not calculated as the effect was anti-dilutive.

Liquidity and Capital Resources

Opal's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2015, Opal had a cash balance of \$798,392 to settle current liabilities of \$251,748. All of Opal's financial liabilities have contractual maturities.

As at March 31, 2015, Opal had a cash balance of \$798,392, receivables of \$4,765 and a working capital of \$551,409. This compares to cash of \$1,572, receivables of \$7,721 and a working capital deficit of \$163,088 as at December 31, 2014. The increase was attributable to the private placement completed in the first quarter of 2015.

On February 20, 2014, Opal secured a one year loan of \$25,000 from Galloway Financial Services Inc. at an interest rate of 10% per annum.

On April 28, 2014, Opal secured a one year loan of \$5,000 from Galloway Financial Services Inc. at an interest rate of 10% per annum.

On August 29, 2014, Opal completed its \$300,000 shares for debt settlement with Galloway Financial Services for all the loans and accrued interest accrued between September 9, 2011 and April 28, 2014. The debt settlement resulted in the issuance of 6,000,000 shares at a price of \$0.06 and a cash payment of \$67,258. The Company recorded a loss on debt settlement of \$60,000 with respect to the transaction.

On July 11, 2014, Opal secured a one year loan of \$10,000 from Caledonia Capital Corp. at an interest rate of 10% per annum.

On September 4, 2014, Opal secured a one year loan of \$10,000 from Caledonia Capital Corp. at an interest of 10% per annum.

On September 16, 2014, Opal completed a private placement consisting of issue of 6,599,998 common shares at a price of \$0.06 per share for gross proceeds of \$396,000. Each share unit consisted of one share purchase warrant that entitles the holder to purchase one common share at a price of \$0.12 for a one year period. These funds were used to settle accounts payable and fund on-going operating costs.

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On October 30, 2014, Opal secured a one year loan of \$31,000 from Kinsale House Ltd. at an interest of 10% per annum.

On November 6, 2014, Opal secured a one year loan of \$5,000 from Kinsale House Ltd. at an interest of 10% per annum.

On November 7, 2014, Opal secured a one year loan of \$41,000 from Kinsale House Ltd. at an interest of 10% per annum.

On November 20, 2014, Opal secured a one year loan of \$7,500 from Kinsale House Ltd. at an interest of 10% per annum.

On January 13, 2015, Opal secured a one year loan of \$5,000 from Kinsale House Ltd. at an interest of 10% per annum.

On January 15, 2015, Opal secured a one year loan of \$10,000 from Airstar Aviation Ltd. at an interest of 10% per annum.

On January 30, 2015, Opal secured a one year loan of \$7,500 from Galloway Financial Service. at an interest of 10% per annum.

On February 27, 2015, Opal completed a private placement consisting of issue of 12,050,000 common shares at a price of \$0.10 per share for gross proceeds of \$1,205,000. Each share unit consisted of one share purchase warrant that entitles the holder to purchase one common share at a price of \$0.15 for a five year period. These funds were used to settle accounts payable and fund on-going operating costs.

On March 2, 2015, Opal issued 2,000,000 common shares at a price of \$0.15 per share at value of \$300,000 to Declan Resources Inc. pursuant to the property option agreement.

These consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") assuming Opal will continue on a going-concern basis. Opal has incurred losses since inception and the ability of Opal to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of Opal's exploration programs. In order for Opal to meet its liabilities as they come due and to continue its operations, Opal is solely dependent upon its ability to generate such financing.

There can be no assurance that Opal will be able to continue to raise funds in which case Opal may be unable to meet its obligations. Should Opal be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should Opal be unable to continue operations.

The current market conditions and volatility increase the uncertainty of Opal's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. Opal is experiencing, and has experienced, negative operating cash flows. Opal will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

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Off Balance Sheet Arrangements

Opal does not have any off-balance sheet arrangements.

Related Parties Transactions

Key management personnel are persons responsible for planning, direction and controlling the activities of an entity, and include executive and non-executive directors. The following were transactions with related parties during the three months ended March 31, 2015:

- a) Paid or accrued consulting fees of \$3,000 (2014- \$3,000) to a company controlled by an officer and director of the Company.
- b) Paid or accrued consulting fees of \$7,500 (2014- nil) to a company employing an officer of the Company.

Other Related Parties

The Company entered into the following transactions with other related parties during the three months ended March 31, 2015:

Paid or accrued legal fees of \$10,984 (2014 - \$331) to a law corporation controlled by a director of the Company. This amount is included in professional fees in the statement of loss and comprehensive loss (\$10,984).

Included in accounts payable and accrued liabilities as at March 31, 2015 is \$2,675 (2014 - \$53,532) due to directors, officers and companies controlled by directors and officers. These amounts are non-interest bearing, unsecured and are due on demand.

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

The remuneration of directors and other members of key management personnel during the first quarter ended March 31, 2015 and 2014 are summarized as follows:

	2015	2014
Consulting Fees	\$ 10,500	\$ 3,000
Legal fees	\$ 10,984	\$ 331
	\$ 21,484	\$ 3,331

No loans were made to directors and other key management personnel, including personally related entities during the reporting period.

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Subsequent Events

Subsequent to March 31, 2015, the Company granted stock options to acquire up to 850,000 common shares of the Company of which an aggregate of 600,000 were granted to certain directors and officers of the Company.. Each of the stock options is exercisable for a five year term expiring on April 29, 2020 and exercisable until that time at a price of \$0.10 per common share. The options vest immediately upon the date of grant. The stock options, and any common shares issued upon exercise of the stock options, are subject to a four month resale restriction expiring August 30, 2015.

Critical Accounting Estimates

The preparation of financial statements in conformity with International Financial Reporting Standard requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements. We constantly evaluate these estimates and assumptions. We base our estimates and assumptions on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty, thus the amounts currently reported in the financial statements could prove to be inaccurate in the future.

Financial Instruments

All financial instruments are classified into one of five categories: fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Fair value through profit or loss financial assets is measured at fair value and changes in fair value are recognized in net income.

Receivables and long term note receivable are classified as loans and receivables. Accounts payable and accrued liabilities and notes payable are classified as other liabilities, which are measured at amortized cost. Opal is not subject to significant interest and credit risk arising from these instruments and Opal does not use any derivative financial instruments.

Changes in Accounting Standards

The following standards, amendments to standards and interpretations have been issued but are not effective:

IFRS 9, Financial instruments

This standard was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If the option is elected, entities would be required to reserve the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2018

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Disclosure of Outstanding Share Data

As at March 31, 2014, Opal had the following common shares, warrants and stock options outstanding:

Common Shares	35,341,017
Conversion of Class A Shares to Common Shares	33,713
Warrants	18,649,998
Options	nil
Fully diluted shares outstanding	54,024,728

Cautionary Notes

Certain of the statements contained in this MD&A including, without limitation, financial and business prospects and financial outlook, reserve and production estimates, drilling and re-completion plans, timing of drilling, re-completion and tie-in of wells, productive capacity of wells and productive capacity of wells and capital expenditures and the timing thereof may be forward-looking statements. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions may be used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources and the risk factors outlined in Opal's Annual Information Form. As a consequence, actual exhaustive results may differ materially from those anticipated in the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exclusive. Additional information on these and other factors that could affect Opal's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com). Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and Opal assumes no obligation to update or review them to reflect new events or circumstances except as required by applicable securities laws. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

With respect to forward looking statements and information contained in this MD&A, Opal has made assumptions regarding, among other things: (i) future prices for crude oil, natural gas, bitumen and refined products and that the demand for such products will continue to increase globally, especially in emerging markets; (ii) favorable future currency and interest rates; (iii) Opal's ability to generate sufficient cash flow from operations and access capital markets or strategic partners to meet its future obligations and to fund future projects; (iv) a continued favorable regulatory framework representing royalties, taxes and environmental matters where Opal conducts its business; and (v) Opal's ability to obtain qualified staff and equipment in a timely and cost efficient manner.

Some of the risks that could affect Opal's future results and could cause results to differ materially from those expressed in Opal's forward looking statements and information include: (i) the need to obtain required approvals and permits from regulatory authorities, including in respect of Opal's New Zealand project application which was submitted in 2010; (ii)

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the impact of competition; (iii) compliance with and liabilities under environmental laws and regulations; (iv) the uncertainties of estimates by Opal's independent consultants with respect to Opal's reserves and resources; (v) general economic conditions in Canada, New Zealand and globally; (vi) changes to royalty regimes and government regulations regarding royalty payments; (ix) imprecision in estimating capital expenditures and operating expenses; (x) imprecision in estimating the timing, costs and levels of production and drilling; (xi) changes to regulations and legislation applicable to Opal and the interpretation thereof including tax and environmental legislation and regulations in the jurisdictions in which Opal conducts its business; (xii) the inability of Opal to obtain financing for its potential oil projects from capital markets, strategic joint partners or other sources on competitive terms, or at all (the unavailability of which could have a material adverse effect on the ability of Opal to proceed with the projects as currently planned, or at all); (xiii) unavailability of required equipment, services, and personnel with the appropriate skill set.