

MANAGEMENT DISCUSSION AND ANALYSIS

April 27, 2015

Year ended December 31, 2014



The following management's discussion and analysis ("MD&A") prepared effective April 27, 2015 should be read in conjunction with the audited consolidated financial statements of Opal Energy Corp. ("Opal") for the year ended December 31, 2014 and accompanying notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 will reimburse Declan's option payment of \$85,000 and exploration expenditures incurred to date of \$71,527.18 and in addition will make 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 year ended at December 31, 2014, the Company had capitalized cost of \$150,821 (December 31, 2013 - \$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 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 December 31, 2014 Opal has no natural gas wells in production other than the override mentioned above.

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Results of Operations

The following selected information is for each of the past three fiscal years ended December 31:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Revenues (including interest and other income)	\$ 3,958	\$ 5,316	\$ 2,656
Loss before finance income, interest expense and foreign exchange loss	\$ 324,225	\$ 93,817	\$ 222,181
Loss for the year	\$ 345,708	\$ 113,954	\$ 248,934
Basic and diluted loss per common share	\$ 0.03	\$ 0.01	\$ 0.03
Total Assets	\$ 165,614	\$ 4,669	\$ 4,605
Total Long-Term Financial Liabilities	nil	nil	nil

Expenses

Opal's administrative costs increased by \$170,408 to \$264,225 for 2014 as compared to \$93,817 in 2013. These increases were primarily due to increased consulting, project investigation costs, professional fees, travel expense, regulatory and transfer agent fees and rent as follows:

- Consulting expense increased \$50,937 to \$99,332 in 2014 from \$48,395 in 2013. The increase occurred as the result of increased management advisory costs.
- Professional fees increased \$5,151 to \$26,021 in 2014 from \$20,870 in 2013. This increase occurred as a result of increased legal cost related to the increase in the complexity of Opal's business in 2014.
- Rent expense increased \$33,000 to \$33,000 in 2014 from \$nil in 2013. This is because Opal renewed the office lease agreement in the third quarter of 2014.
- Travel expense increased \$61,679 to \$61,679 in 2014 from \$nil in 2013. During 2013 there was little or no activity, in 2014 travel was extensive to evaluate several exploration projects in Canada and the United States resulting in the increase in travel expenses.
- Transfer agent and regulatory fees increased \$6,065 to \$25,633 in 2014 from \$19,568 in 2013. This was due to the increased financing activities in 2014.
- Loss on settlement of debt.

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Interest and Other Income (Expense)

Interest expense was \$25,441 in 2014 as compared to \$25,451 in 2013. The interest expense resulted from the settlement of old loans by the issue of shares and the interest attributable to additional loans obtained during the year. The other income in 2014 was \$3,958 compared to \$5,316 in 2013. 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 2014 was \$345,708 as compared to a loss of \$113,954 in 2013, an increase in loss of \$231,754. The increase in the loss was due primarily to a loss on settlement of debt, increased consulting expense, project investigation costs, rent, travel expenses, transfer agent and regulatory fees and professional fees as discussed in detail above under "Expenses".

Summary of Quarterly Results

The following selected information is for each of the past eight quarters ended:

	Quarter ended December 31, 2014	Quarter ended September 30, 2014	Quarter ended June 30, 2014	Quarter ended March 31, 2014
Revenues(including interest & other income)	\$ 981	\$ 813	\$ 708	\$ 1,456
Loss before finance income, interest expense and foreign exchange loss	\$ 237,229	\$ 55,574	\$ 20,911	\$ 10,511
Loss for the period	\$ 241,766	\$ 61,287	\$ 25,487	\$ 17,168
Basic and diluted loss per common share	\$ (0.02)	\$ (0.00)	\$ (0.00)	\$ (0.00)

	Quarter ended December 31, 2013	Quarter ended September 30, 2013	Quarter ended June 30, 2013	Quarter ended March 31, 2013
Revenues(including interest & other income)	\$ 855	\$ 1,735	\$ 1,072	\$ 1,654
Loss before finance income, interest expense and foreign exchange loss	\$ 9,233	\$ 20,911	\$ 36,089	\$ 27,584
Loss for the period	\$ 15,715	\$ 25,487	\$ 41,236	\$ 31,516
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

Administration Costs for the three month period to December 31, 2013 of \$237,229 were higher when compared to \$9,233 for the comparative period of 2013, an increase of \$227,996. This increase in the loss was primarily due to a loss on settlement of debt, rent expense, travel, and consulting fees.

The Annual Report to Shareholders including Opal's audited consolidated financial statements for the year ended December 31, 2014 provides further review of its operations.

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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 December 31, 2014, Opal had a cash balance of \$1,572 to settle current liabilities of \$328,702. All of Opal's financial liabilities have contractual maturities. Opal expects to fund these liabilities through loans from management, directors, shareholders and the issuance of capital stock over the coming year.

As at December 31, 2014, Opal had a cash balance of \$1,572, receivables of \$7,721 and a working capital deficit of \$163,088. This compares to cash of \$3,121, receivables of \$298 and a working capital deficit of \$558,343 as at December 31, 2013. Opal's decreased deficit was attributable to the settlement and private placement completed in 2014.

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.

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.

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.

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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.

Off Balance Sheet Arrangements

Opal does not have any off-balance sheet arrangements.

Related Party Transactions

Key management personnel are persons responsible for planning, direction and controlling the activities of an entity, and include executive and non-executive directors.

- a) Paid or accrued consulting fees of \$12,000 (2013- \$12,000) to a company controlled by an officer and director of the Company.
- b) Paid or accrued consulting fees of \$7,500 (2013- nil) to a company employing an officer of the Company.

Other Related Parties

The Company entered into the following transactions with other related parties:

Paid or accrued legal fees of \$25,452 (2013 - \$3,320) 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 (\$10,415), and share issue costs (\$15,037)

Included in accounts payable and accrued liabilities as at December 31, 2014 is \$14,696 (2013 - \$71,991) 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.

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The remuneration of directors and other members of key management personnel during the year ended December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Consulting fees	\$ 19,500	\$ 12,000
Legal fees and interests	\$ 25,124	\$ 3,320
	\$ 44,624	\$ 15,320

No loans were made to Directors or any other key management personnel, including personally related entities during the reporting year.

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

A number of new standards, amendments to standards and interpretations were effective for annual periods beginning on or after January 1, 2013, and were adopted during the year. Others are mandatory for accounting periods beginning on or after January 1, 2014 and have not yet been adopted by the Company, and are being evaluated to determine their impact. See Note 3 to the audited consolidated financial statements for the year ended December 31, 2014 for further details.

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Subsequent Events

On February 27, 2015, the Company completed a non-brokered private placement. The Company issued a total of 12,050,000 units at a price of \$0.10 per unit for gross proceeds of \$1,205,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.15 per share at any time within 60 months of the date of issuance. The Company paid aggregate cash finder's fees in the amount of \$88,000 to eligible finders.

On March 2, 2015, the Company issued 2,000,000 shares at \$0.15 to Declan Resources Inc. pursuant to the property option agreement.

On March 3, 2015, the Company's listing on the TSX was transferred from NEX to TSX Venture and the Tier classification changed from NEX to Tier 2.

On January 30, 2015, the Company received a \$7,500 loan which bears interest at 10% per annum, payable quarterly.

Disclosure of Outstanding Share Data

As at December 31, 2014 and April 27, 2015, Opal had the following common shares, warrants and stock options outstanding:

	December 31, 2014	April 24, 2015
Common shares	21,291,017	33,340,017
Conversion of Class A Shares to Common Shares	33,713	33,713
Warrants	6,599,998	18,649,998
Options	nil	nil
Fully diluted shares outstanding	27,924,728	52,023,728

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

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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; (ii) 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, 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.