The following information, prepared as of November 25, 2014, should be read in conjunction with the consolidated financial statements of Terra Nova Energy Ltd. (the "Company" or "Terra Nova") for the year ended July 31, 2014. The referenced consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars ($) or Australian dollars (A$) unless otherwise indicated.

Forward-looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A, and in particular, the "Outlook" section contains forward-looking statements. These forward-looking statements include without limitation: statements about the Company's exploration plans and outlook; interpretations and discussion of seismic, drilling and well testing results and financing obligations with regard to future exploration of the petroleum exploration licences or properties owned by, or, under option to the Company. As such, all forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of seismic, drilling or well testing results may also be considered a forward-looking statement as such information constitutes a prediction of what hydrocarbons might be found to be present if and when hydrocarbons are discovered and recovered in economic quantity.

It is important to note that unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of November 25, 2014. Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Such risks and other factors include, among others, risks related to the integration of acquisitions or new discoveries, if any; risks related to operations; actual results of current exploration activities; actual results of current reclamation activities, if any; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of hydrocarbons; accidents, labour disputes and other risks of the oil and gas exploration industry; delays in obtaining governmental approvals or financing or in the completion of wells or integration with hydrocarbon collection infrastructure, as well as those factors discussed in the section entitled "Risk Factors" appearing elsewhere herein. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize; and subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see **Risks and Uncertainties**.

General

Terra Nova Energy Ltd. was incorporated under the British Columbia Business Corporations Act. The Company's principal business is the acquisition and exploration of petroleum and natural gas properties. The Company's shares trade on the TSX Venture Exchange (the "TSX-V") under the symbol "TGC", the Frankfurt Stock Exchange under the symbol "GLTN" and the OTCQX marketplace under the symbol "TNVMF". The Company's corporate head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada.

Highlights

1. On August 7, 2013, the Company announced the results of the Wolfman #1 exploration well completed on PEL 112. No oil shows were observed while drilling in its primary and secondary oil objectives. The well encountered its primary objective, the Namur Sandstone, at approximately 1,197 metres (3,927 feet), and drilled ahead to its secondary targets in the Birkhead Formation and Hutton sandstones. Wolfman #1 reached a total depth of 1,703 metres (5,587 feet) on August 7, 2013. The well was plugged and abandoned. The drilling contract with Hunt Energy and Mineral Pty Ltd. was terminated on October 16, 2013. By completing Wolfman #1, the Company earned an additional 5.8333% on PEL 112, such that its total interest in PEL 112 is now 25.8333%.

2. On November 4, 2013, the Company announced that it completed the work requirements for the current term of PEL 112. The Company renewed the license for a further five year term. Under Australian law, at the end of each five year term, a portion of the area covered by a PEL (33% of the original license acreage) must be relinquished. As a result, the renewal covered 50% of PEL 112's previous license area. The renewed area retained the areas of 2D and 3D seismic acquired in the license, and the existing leads and prospects.

3. On December 2, 2013, the Company announced that the processing of 80 km^2 of 3D Seismic data on PEL 444 (the "Wingman Survey") had been completed. The Wingman Survey was shot over prospective leads identified by a 2D survey acquired on that license in 2005. On January 16, 2014, the initial geophysical evaluation of the 3D Seismic data was completed. The geophysical evaluation identified various anomalies that may support hydrocarbon trapping, effectively encouraging further analysis. The Company earned a 20% working interest in PEL 444 on delivering the Wingman 3D seismic survey to the vendors of PEL 112 and PEL 444 (the "Farmors") and 5.8333% by drilling Wolfman #1, such that the composite working interest in PEL 444 is now 25.8333%. PEL 444's current license term expires on July 10, 2015 and has a one-well drilling commitment remaining.

4. On July 3, 2014, the Company announced that it had issued a total of 3,681,816 common shares in connection with the conversion of $405,000 of its previously issued 10% convertible notes at a price of $0.11 per share. On October 6, 2014, the TSX-V approved the extension of the term of the remaining $1,500,000 convertible note up to December 28, 2014. All other terms were unchanged. On July 24, 2014, in accordance with the terms of the 10% convertible notes, the Company issued 1,269,999 common shares at the fair value of $133,350 in order to settle interest of $190,500 due under its 10% convertible notes.

5. On August 6, 2014, the Company announced that it had begun the reprocessing of the Wingman 3D seismic survey that was acquired on PEL 444. The Company decided to reprocess the Wingman 3D seismic survey based on new information discovered while integrating field data from the Charo-Snatcher field located approximately 21 km South-East of the Wingman Survey. The reprocessing of Wingman and integration with Charo-Snatcher was completed on September 3, 2014 and the Company began the process of interpreting the data. On November 21, 2014, the Company announced that interpretation of the data has been completed and the Company identified six prospective geological features that appear suitable for drilling exploratory wells. The process of drilling preparation, including locating and engaging a drill rig, has commenced. The Company plans on drilling a well in the first half of 2015.

6. On September 23, 2014, the Company announced that it issued a request for proposal from qualified firms to provide drilling services for up to five wells on PEL 444. On October 17, 2014, the Company signed a letter of intent with Hunt Energy and Mineral Pty. Ltd. ("Hunt") with regard to a drilling service agreement whereby Hunt will provide drilling services for up to six wells on PEL 444.

7. On October 31, 2014, the Company granted 4,325,000 stock options to directors, officers and consultants of the Company at an exercise price of $0.18 per share up to October 31, 2019.

Management Changes

On September 25, 2013, the Company announced that Mark Stevenson had resigned from the Board of Directors.

On February 18, 2014, the Company announced the appointment of Mark Jarvis and Lyle Davis to the Board of Directors.

Mark Jarvis has more than 25 years of experience in the exploration, development and financing of mineral resources, both in the energy and metals industries. After a career in financing exploration projects as a stockbroker, Mr. Jarvis joined the board of Ultra Petroleum (NYSE: UPL) in 1996 when it was a junior oil and gas exploration and development company. He was the director responsible for corporate finance during the early stages of acquisition, exploration and development of Ultra Petroleum's Pinedale (Wyoming) acreage. Mr. Jarvis is the CEO of Shoal Point Energy (CSE: SHP), which is in the exploration stage company with an eastern Canadian oil in shale prospect. He is also CEO of Hard Creek Nickel Corp. (TSX-V: HNC), whose core asset is the Turnagain nickel sulphide deposit in north-central British Columbia, Canada.

Lyle Davis, P.Eng., MBA, has extensive experience in the corporate finance, advisory, and management services of public companies. He is President and CEO of Condor Resources Inc. (TSXV: CN), Chairman and Director of Hard Creek Nickel Corp. (TSX-V:HNC) and a Director of Lock + Load Retaining Walls Ltd. Mr. Davis is a member of the Association of Professional Engineers and Geoscientists of Alberta, holds a Bachelor of Applied Science from Queen's University and an MBA with a finance major from UBC.

On March 5, 2014, the Company announced that Messrs. Carlo Civelli and Jock McCracken had agreed to join the Advisory Committee.

Mr. Civelli is the founder of Zurich based Clarion Finanz AG and has over 30 years of experience in the venture capital and natural resources sector. During that time, Clarion Finanz AG financed hundreds of companies, mainly mining and oil and gas explorers, and at least a dozen of these early stage investments developed into ~ billion dollar market cap companies which are still listed, while others have been taken over by resource Majors. Mr. Civelli also founded Pacific LNG Operations Ltd. in 2005 which on February 25, 2014, sold its 22.8% interest in a gas field in Papua New Guinea, developed jointly with InterOil Corporation (NYSE: IOC), to Oilsearch Ltd. for $900M plus further contingent payments.

Mr. McCracken is a geological exploration specialist with over 33 years of experience that includes basin evaluation, play assessment and ranking, well locating and planning and then reserve evaluation and calculation. This work, onshore, offshore and international, has been located in six continents. He spent 16 years with Mobil Oil Canada and UK resulting in hydrocarbons being discovered in all the basins he was assigned to with notable results. Petro-Canada recruited him in 1997 to evaluate prospects in the Jeanne d'Arc Basin, Flemish Pass, Central Ridge, Salar Basin, Labrador Sea, Scotian Shelf, Alaska and all the Shale Basins of North America. During his last five years in the New Ventures Team his expertise in shale and source rocks was used to high grade areas for further interest. After early retirement from Suncor/Petro-Canada in Sept of 2009, he formed his own company, Egret Consulting, where he's been utilizing his geological strengths and research skills, as well as his diverse experience, to understand and evaluate new basins quickly around the world.

Mr. McCracken's professional memberships include: Canadian Society of Petroleum Geologists (CSPG), American Association of Petroleum Geologists (AAPG), Association of Professional Engineers and Geoscientists of Alberta (APEGA) and Energy Minerals Division (EMD). He has been a Canadian shale liquids and gas committee member and Canadian Councilor for the EMD since 2006 and 2009, respectively.

On October 31, 2014, Mr. Robert McMorran resigned as Chief Financial Officer and was replaced by Mr. Matthew Anderson. Mr. McMorran remains on the Board of Directors. Mr. Anderson holds a Bachelor of Commerce degree from McGill University and obtained his Chartered Accountant designation in 2008 while articling at a large accounting firm. Matt is a Senior Consultant with Malaspina Consultants Inc., a private company that provides accounting and administrative infrastructure to junior public companies. Malaspina Consultants Inc. is wholly-owned by Mr. McMorran.

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material. At July 31, 2014, the Company had not yet achieved profitable operations, had a working capital deficiency of $1,375,005 including convertible notes totalling $1,500,000 which were due and payable on June 28, 2014 (subsequently extended to December 28, 2014) and expects to incur further losses in the development of its business. The Company requires significant further funding to continue to develop its oil and gas exploration and evaluation interests and to continue its operations. These factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Exploration and Evaluation Interests

On May 11, 2012 the Company executed an oil and gas farm-in agreement with the Farmors to secure the right to earn up to a 55% working interest in petroleum rights on certain onshore Australian Petroleum Exploration Licenses ("PEL"), known as PEL's 112 and 444 (the "Farm-in Agreement"), executed a Joint Operating Agreement and paid A$4,700,000 into trust to fund seismic expenditures as contemplated under the terms of the Farm-in Agreement. On October 31, 2012, the company paid an additional A$4,500,000 into trust to fund 100% of the dry hole costs pertaining to an Initial 3 - Well Program Earn-in Obligation.

PEL's 112 and 444 comprise approximately 1,086 km² and 2,358 km² respectively. These properties are located on the Western flank of the Cooper-Eromanga Basin in the northeastern sector of the state of South Australia (the "Exploration and Evaluation Interests" or "E&E Interests").

Under the terms of the Farm-in Agreement, by completing 3D seismic acquisition programs on both PEL 112 and PEL 444 and the interpretation of the acquired data and in connection with completing the first well of the Initial Well Program, the Company has earned a 25.8333% working interest in each of PEL 112 and PEL 444. The Company can earn up to an additional 29.1667% working interest in PEL 112 and PEL 444 by completing the following two phases of earn-in obligations:

- The Company shall have the right to earn up to an additional 11.6667% working interest in PEL 112 and PEL 444 by completing drilling of the Initial Well Program. Upon drilling and abandonment or completion of each well drilled on either PEL 112 or PEL 444 pursuant to the Initial Well Program, the Company shall have earned an additional 5.8333% per well working interest in each of the PEL's. Upon completion or abandonment of the initial three wells, the Company shall have earned an aggregate 37.5% working interest in PEL 112 and PEL 444.

- Following completion of the Initial Well Program, the Company shall have the right to earn up to an additional 17.5% working interest in PEL 112 and PEL 444 by completing up to an additional three option test wells to be drilled by the Company as operator. Upon drilling and abandonment or completion of each well drilled pursuant to the Option Well Program, Terra Nova shall be deemed to have earned an additional 5.833% working interest in each of the PEL's.

Exploration Activities

Seismic Surveys
As initially conceived, the Farm-in Agreement contemplated 2D seismic work on both PEL 112 and PEL 444. In the course of planning this work, management determined that the recent discoveries in the area had effectively utilized 3D seismic survey data. In this light, and given the geological environment under consideration, management determined that the potential for a successful discovery increased significantly with reliance on the more expensive 3D seismic data.

In the period since May 11, 2012 the Company initiated, planned and completed a 3D seismic survey, including interpretation, on approximately 127 km² located on PEL 112 (the "Mulka 3D PEL 112 Seismic Program") representing approximately 6% of the total acreage within the PEL. On January 24, 2013, Company announced that it had processed and interpreted the PEL 112 seismic data. The Company identified four drillable exploration prospects from the survey. These prospects bore technical similarity to producing structures observed in the existing oil pools to the north, including the Butlers, Perlubie and Parsons fields.

Total cost to complete the Mulka 3D PEL 112 Seismic Program was expected to be approximately A$3,740,000 leaving a balance of approximately A$960,000 to be used towards funding an 80 km^2 3D seismic program on PEL 444 ("PEL 444 3D Seismic Program"). Any seismic costs incurred in excess of A$4,700,000 were to be funded as to 55% by the Company and as to 45% by the joint working-interest partners. At July 31, 2014, the Company had incurred A$7,103,107 of the Seismic Earn-in Obligation. In July 2013, the Company received contributions of A$523,259 from one of the Farmors. At July 31, 2014, the Company has recorded a receivable of A$558,273 from the Farmors. At July 31, 2014, the Company recognized an allowance for doubtful accounts of A$404,312 ($409,487). The Company collected A$193,844 from one of the Farmors in October 2014.

On June 10, 2013, the Company announced that seismic crews set camp and began line preparation of PEL 444 on May 29, 2013. The "Wingman" 3D seismic survey was designed to enable acquisition of 80 km^2 of 3D seismic data in the southeast corner of PEL 444's lower panhandle. Acquisition of seismic data on PEL 444's Wingman 3D Seismic Survey was completed on July 1, 2013. A final processed volume was received in early December 2013 and interpretation was completed in January 2014. Various anomalies were identified from the seismic interpretation that may support hydrocarbon trapping, effectively encouraging further analysis.

On August 6, 2014, the Company announced that it had begun the reprocessing of the Wingman 3D seismic survey that was acquired on PEL 444. In December 2013, the Company completed the processing of the Wingman Survey on PEL 444 and the Terra Nova team identified as many as nine prospects and leads. The targets are all associated with the Birkhead Formation ("Birkhead") which is the main producer in the Charo-Snatcher field located approximately 21 km South-East of the Wingman Survey. When the Company began the process of integrating the Charo-Snatcher field data with the Wingman survey, it became evident that producing wells in Birkhead have subtle stratigraphic features including channel sands and crevasse splays. These stratigraphic features have very distinct amplitude signatures on the seismic data further emphasizing the importance of amplitude-friendly processing. The Charo-Snatcher field is predominantly associated with light oil production but also has dissolved gas. It is believed that a portion of the amplitude response is influenced by the gas and techniques such as Amplitude Versus Offset ("AVO") can be utilized to determine the presence of hydrocarbon bearing Birkhead sand. In order to further de-risk the already mapped prospects and leads the Company decided to re-process the data with the primary objective of relative amplitude preservation with the broadest

possible bandwidth necessary for AVO mapping techniques. The reprocessing of Wingman and integration with Charo-Snatcher was completed on September 3, 2014 and the Company began the process of interpreting the data. On November 21, 2014, the Company announced that interpretation of the data has been completed and the Company identified six prospective geological features that appear suitable for drilling exploratory wells. The geological prospects were recognized using advanced geophysical techniques and are interpreted to have analogous characteristics to those of the adjacent producing Charo-Snatcher field. The process of drilling preparation, including locating and engaging a drill rig and acquiring the required approvals and operational permits, has commenced. The Company plans on drilling a well in the first half of 2015. On October 17, 2014, the Company announced that it had signed a letter of intent with a drilling supplier for up to 6 wells on PEL 444.

The Company has also commenced the reprocessing of PEL 112's Mulka 3D seismic survey by employing similar techniques that were used in the seismic reprocessing of PEL 444.

Drilling
On October 31, 2012, the Company paid the A$4,500,000 deposit in escrow required to commence drilling on the Initial 3 - Well Program Earn-in Obligation. On May 29, 2013, pursuant to an amending agreement, A$500,000 was advanced to the seismic trust account from the drilling trust account. The remaining A$4,000,000 was applied against 100% of the dry-hole costs of the first well drilled under the Initial 3-Well Program Earn-In.

With the completion of the PEL 112 Mulka 3D seismic survey, the Company was in the position to drill the first exploration well on PEL 112, Wolfman #1, which constituted a commitment well for PEL 112. On May 20, 2013, the Company began construction of access roads and drill site preparation on PEL 112. By mid-June 2013, approximately 18 km of access road were constructed to connect the current road network to PEL 112's Wolfman #1 drilling site. On August 7, 2013, the Company announced the results of the Wolfman #1 exploration well completed on PEL 112. No oil shows were observed while drilling in its primary and secondary oil objectives. The well encountered its primary objective, the Namur Sandstone, at approximately 1,197 metres (3,927 feet), and drilled ahead to its secondary targets in the Birkhead Formation and Hutton sandstones. Wolfman #1 reached a total depth of 1,703 metres (5,587 feet) on August 7, 2013. The well was plugged and abandoned. By drilling Wolfman #1, the Company earned an additional 5.8333% on PEL 112.

Notwithstanding the lack of success on the Wolfman #1 exploration well on PEL 112, management remains confident in the potential of PEL's 112 and 444. The Company recently completed the extensive reprocessing and interpretation of the 3D seismic survey on PEL 444 and the Company has identified six drill targets. The Company has signed a letter of intent with a drill service provider for up to six wells at PEL 444. The Company is also reprocessing the PEL 112 Mulka 3D seismic survey employing similar techniques as were used in the seismic reprocessing of PEL 444.

As at July 31, 2014, the balance of drilling funds in the trust account amounted to A$46,914. The Company will require additional financing in order any further wells on either PEL 112 or PEL 444.

Terra Nova currently has earned a 25.8333% working interest in PEL 112 and PEL 444.

Selected Annual Information

The following is a summary of certain selected audited consolidated financial information of the Company for the years ended July 31, 2014, 2013 and 2012:

	2014 $	2013 $	2012 $
Total Revenues	-	-	-
Loss	(2,170,171)	(5,511,925)	(699,223)
Loss Per Share (basic and diluted)[1]	(0.03)	(0.09)	(0.03)
Total Assets	6,299,155	8,254,667	10,291,225
Convertible notes – debt component	1,500,000	1,689,012	-
Dividends declared	-	-	-

[1] The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

The increase in loss during the year ended July 31, 2013 as compared to the year ended July 31, 2012 was due to entering into the oil and gas exploration business and recognizing a write-down of $4,176,277.

Quarterly Information

The following is selected financial data from the Company's unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being July 31, 2014.

	Three Months Ended ($)			
	July 31, 2014	April 30, 2014	January 31, 2014	October 31, 2013
Total Revenues	-	-	-	-
Loss	(276,863)	(275,685)	(274,975)	(1,342,648)
Loss Per Share (basic and diluted)[1]	(0.00)	(0.00)	(0.00)	(0.02)
Exploration and evaluation interest expenditures	35,851	145,884	63,359	1,212,329
Working capital (deficiency)	(1,375,005)	(1,942,904)	(1,599,525)	(715,407)
Total Assets	6,299,155	6,549,268	6,420,337	6,750,290

	Three Months Ended ($)			
	July 31, 2013	April 30, 2013	January 31, 2013	October 31, 2012
Total Revenues	-	-	-	-
Loss	(4,267,402)	(151,589)	(687,790)	(405,144)
Loss Per Share (basic and diluted)[1]	(0.07)	(0.00)	(0.01)	(0.01)
Exploration and evaluation interest expenditures	5,443,155	174,361	263,982	3,688,866
Working capital (deficiency)	458,494	4,951,478	5,388,525	5,424,818
Total Assets	8,254,667	10,941,146	11,371,379	11,108,288

[1] The basic and diluted loss per share calculations result in the same amount due to the anti-dilutive effect of outstanding stock options and warrants.

The increase in loss recorded during the three months ended October 31, 2013 and the three months ended July 31, 2013 was due to writing-off the costs of drilling Wolfman #1, the first well drilled at PEL 112 and writing-off a portion of the seismic expenditures on PEL 112.

Results of Operations

Year ended July 31, 2014
The Company recorded a loss of $2,170,171 ($0.03 per share) for the year ended July 31, 2014 as compared to a loss of $5,511,925 ($0.09 per share) for the year ended July 31, 2013. The table below details certain non-cash or unusual transactions that for the purposes of this discussion have been adjusted out of the reported loss to produce an adjusted loss that forms a better basis for comparing the year-over-year operating results of the Company.

	2014	**2013**
	$	**$**
Loss for the year as reported	(2,170,171)	(5,511,925)
Share-based payments	32,512	328,338
Interest income	(7,011)	(147,356)
Write-off of exploration and evaluation interests	1,268,989	4,176,277
Interest, accretion and loan placement expense	403,113	35,191
Adjusted loss for the year [(1)]	(472,568)	(1,119,475)

[(1)] Adjusted loss for the year is not a term recognized under IFRS. Non-IFRS measures do not have standardized meaning. Accordingly, non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Comments regarding certain of these items are as follows:

- Share-based payments represents the vesting of stock options granted during the year ended July 31, 2013 (1,600,000 options) and 890,000 options granted during the year ended July 31, 2014;

- Interest income is derived primarily from funds held in escrow;

- Write-off of exploration and evaluation interests was due to writing-off the costs of drilling Wolfman #1, the first well drilled at PEL 112, writing-off a portion of the seismic expenditures on PEL 112 and writing-off a portion of PEL 112 acquisition costs ($127,143) as a result of the area of PEL 112 being reduced on renewal of the PEL; and,

- Interest, accretion and loan placement expense is a result of the convertible notes issued on June 28, 2013.

The comments below relate to the results of operations excluding the items (primarily non-cash) discussed above:

The approximate $647,000 decrease in the adjusted loss for the year ended July 31, 2014 as compared to the year ended July 31, 2013 is due primarily to a decrease in activities. Details of changes in certain expense items are as follows:

Audit and accounting fees of $180,794 (2013 - $248,319) include fees for general accounting services and accruals for audit fees. The decrease during fiscal 2014 was due to a reduction in activities.

Filing and transfer agent fees of $67,755 (2013 - $70,294) include fees paid to the Company's transfer agent and fees paid to the TSX Venture Exchange and the OTCQX marketplace.

Legal fees of $55,660 (2013 - $165,973) in the current period are for general business matters. Legal fees for the year ended July 31, 2013 were comprised of fees incurred related to the acquisition and documentation of the oil and gas properties.

Management fees of $186,517 (2013 - $507,988) include fees paid to the CEO, Henry Aldorf and the VP of Finance, Nico Civelli. In the prior year, the fees included fees paid to the former CEO, Norman Mackenzie, the former COO, Michael Kamis and other consultants. Also included were severance amounts paid to Mr. Mackenzie. Both Mr. Mackenzie and Mr. Kamis resigned during the year ended July 31, 2013.

Office and miscellaneous expenses of $35,599 (2013 - $158,429) includes expenses such as rent, , insurance, bank fees, interest, and office management. The decrease during fiscal 2014 was due to elimination of rent and office management effective February 2013.

Overhead charged to exploration of $44,002 (2013 - $128,237) is the recovery of management overhead as stipulated in the Joint Operating Agreement.

Travel and related expenses of $26,304 (2013 - $44,497) includes executive travel to and from Australia and other incidental travel.

Three months ended July 31, 2014
The Company recorded a loss of $276,863 ($0.00 per share) for the three months ended July 31, 2014 as compared to a loss of $4,267,402 ($0.07 per share) for the three months ended July 31, 2013. The decrease in the loss was due to the write-down of exploration and evaluation interest during the three months ended July 31, 2013 ($4,176,277).

Financing Activities and Capital Expenditures

During the year ended July 31, 2014, the Company issued a total of 3,681,816 common shares in connection with the conversion of $405,000 of its previously issued 10% convertible notes at a price of $0.11 per share. In accordance with the terms of the 10% convertible notes, the Company issued 1,269,999 common shares at the fair value of $133,350 in order to settle interest of $190,500 due under its 10% convertible notes. Subsequent to July 31, 2014, the Company extended the term of the remaining $1,500,000 convertible note to December 28, 2014. All other terms remained unchanged.

During the year ended July 31, 2013, the Company completed the following financings:

i) On October 31, 2012, the Company completed the first tranche of a non-brokered private placement of 3,500,000 units at a price of $0.20 per unit for gross proceeds of $700,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder thereof the right to purchase one additional common share at a price of $0.30 per share up to October 31, 2014.

ii) On November 6, 2012, the Company completed the second tranche of a non-brokered private placement of 1,000,000 units at a price of $0.20 per unit for gross proceeds of $200,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder thereof the right to purchase one additional common share at a price of $0.30 per share up to November 6, 2014.

iii) On November 26, 2012, the Company completed the third tranche of a non-brokered private placement of 1,550,000 units at a price of $0.20 per unit for gross proceeds of $310,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder thereof the right to purchase one additional common share at a price of $0.30 per share up to November 26, 2014.

iv) On December 5, 2012, the Company completed the fourth tranche of a non-brokered private placement of 400,000 units at a price of $0.20 per unit for gross proceeds of $80,000. Each unit is comprised of one common share and one share purchase warrant entitling the holder thereof the right to purchase one additional common share at a price of $0.30 per share up to December 5, 2014.

In connection with the October 31, November 6, November 26 and December 5, 2012 private placements, the Company paid cash commissions of $64,500 and incurred $39,960 in legal and filing fees. In addition, the Company issued an aggregate of 322,500 finder's warrants entitling the holder thereof the right to purchase a common share at a price of $0.30 per share up to December 5, 2014.

On June 28, 2013, the Company issued convertible notes for the principal sum of $1,905,000. The convertible notes bear interest at 10% and were repayable on June 28, 2014. The convertible notes were convertible at the option of the holder into common shares of the Company at a conversion price of $0.11 per share. In connection with the convertible notes, the Company incurred $12,922 in legal and filing fees. In addition, the Company issued an aggregate of 818,181 finder's warrants entitling the holder thereof the right to purchase a common share at a price of $0.11 per share up to June 28, 2014.

The capital expenditures of the Company during the year ended July 31, 2014 amounted to approximately $2,223,000 all of which was spent on 3D seismic surveying, drilling and other oil and gas activities. The capital expenditures of the Company during the year ended July 31, 2013 amounted to approximately $8,117,000 of which $44,000 was spent on equipment and the remainder was spent on 3D seismic surveying, drilling and other oil and gas activities.

Liquidity and Capital Resources

The Company's operations consumed approximately $700,000 of cash (before working capital items) for the year ended July 31, 2014. An additional approximate $1,457,000 of expenditures were incurred on the oil and gas interests, including $141,000 of seismic expenditures on PEL 444, $1,142,000 of drilling expenditures on PEL 112, and other expenditures of $174,000. The difference between the total expenditures of $1,457,000 and the cash expenditures of $2,223,000 reported on the consolidated statements of cash flows relates to certain accounting adjustments as disclosed in Note 15 of the consolidated financial statements for the year ended July 31, 2014, as well as the effect of foreign exchange translation on E&E interests. The cash requirement was fulfilled from cash and cash held-in-trust on hand at the beginning of the year plus proceeds from the exercise of 890,000 stock options at $0.11 per share.

The Company's aggregate operating, investing and financing activities during the year ended July 31, 2014 resulted in a net decrease of $2,115,088 in its cash and cash held-in-trust balance of $2,267,231 at July 31, 2013 to $152,143 at July 31, 2014.

At July 31, 2014, the Company has recorded a receivable of A$612,851 ($620,695) from the Farmors. At July 31, 2014, the Company recorded an allowance for doubtful accounts of A$404,312 ($409,487) due to the delays in collecting the receivables from the Farmors. Allowance for doubtful accounts relates to amounts receivable from the Farmors for seismic expenditures in excess of A$4.7M. The Farmors and the Company are negotiating a settlement of outstanding receivables. Subsequent to July 31, 2014, the Company received A$193,844 from one of the Farmors.

The Company currently has earned a 25.8333% working interest in PEL 112 and PEL 444 in connection with completing the respective seismic program and drilling one exploration well on PEL 112. The Company will require additional funding to continue exploration of PEL 112 and PEL 444.

Transactions with Related Parties

During the year ended July 31, 2014 and 2013, the Company incurred the following expenditures charged by directors and officers of the Company and/or companies they owned or were significant shareholders of:

	2014 $	2013 $
Non-audit accounting fees[1]	42,876	79,030
Legal fees[2]	11,011	3,575
Management fees[3]	186,309	498,464
Office and miscellaneous fees	-	65,568
Exploration and evaluation interests - management and consulting fees[4]	181,541	468,311
	421,737	1,114,948

(1) Includes fees billed by a company owned by a director, Rob McMorran.
(2) Includes corporate secretary fees billed by a company owned by a director, Rob McMorran.
(3) Includes fees billed by a company owned by the former COO, Michael Kamis, fees billed by the former CEO, Norman Mackenzie, fees billed by the CEO, Henry Aldorf, and fees billed by a company controlled by the VP of Finance, Nico Civelli.
(4) Includes fees billed by a company owned by the former COO of the Company, Michael Kamis and fees billed by a company owned by the VP of Exploration, Chas Lane.

At July 31, 2014, accounts payable and accrued liabilities included $121,219 (2013 - $112,791) of amounts owing to directors and officers of the Company and/or companies they control or of which they were significant shareholders. The amounts owing include amounts related to expenditures charged to the Company and for reimbursements of expenditures paid for on behalf of the Company. The amounts owing are unsecured, non-interest bearing and due on demand.

In addition to the related parties disclosed above, $33,000 of the convertible notes are related party transactions as they were transactions entered into with directors of the Company.

Key management includes the current and former Chief Executive Officer, the current and former Chief Financial Officer, the former Chief Operating Officer, the VP of Exploration, the VP of Finance and the current and former directors of the Company. The compensation paid or payable to key management for services during the years ended July 31, 2014 and 2013 is identical to the table above other than share-based payments expense. During the year ended July 31, 2014, key management received share-based payments of $32,512 (2013 - $289,432).

On January 8, 2013, the Company entered into a Mutual Release and Settlement Agreement with the former Chief Executive Officer (the "Severance Agreement"). In accordance with the Severance Agreement, the Company paid $100,000 and issued 400,000 common shares at the fair value of $116,000. In addition, 600,000 stock options entitling the holder thereof the right to purchase one common share at a price of $0.30 per share up to May 16, 2022 were amended such that the options vested immediately and the expiry date was changed to May 16, 2015.

On May 3, 2013, the Company entered into a Debt Settlement Agreement with Apex Energy Consultants Inc., a company controlled by the former Chief Operating Officer, to settle accounts payable and accrued liabilities of $193,097 by making cash payments totalling $98,083 and issuing 875,000 common shares of the Company at the fair value of $87,500. In addition, 500,000 stock options entitling the holder thereof the right to purchase one common share at a price of $0.30 per share up to May 16, 2022 were amended such that the options vested immediately and the expiry date was changed to November 30, 2014.

Financial Instruments

Classification of Financial Instruments
The Company's financial instruments consist of cash, cash held-in-trust, receivable, accounts payable and accrued liabilities and convertible notes. The Company designated its cash, cash held-in-trust and receivable as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities and the liability component of the convertible notes are classified as other financial liabilities, which are measured at amortized cost.

Discussions of risks associated with financial assets and liabilities are detailed below:

Foreign Exchange Risk
Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. A portion of the Company's financial assets and liabilities are denominated in Australian dollars. The Company monitors this exposure, but has no hedge positions. As at July 31, 2014 and 2013, the Company had exposure to Australian dollars as follows:

	2014 **A$**	**2013** **A$**
Cash	78,161	286,502
Cash held-in-trust	46,914	1,747,658
Receivable from farmors	211,208	561,140
Accounts payable and accrued liabilities	(5,497)	(982,578)
Net exposure to Australian dollars	330,786	1,612,722

At July 31, 2014, a 1% change in the value to the Australian dollar as compared to the Canadian dollar would result in a change in other comprehensive loss and equity attributable to shareholders of approximately A$3,000.

Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions as well as receivables from farmors. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is primarily held with a financial institution. The receivables from farmors is due from various third parties. Subsequent to July 31, 2014, the Company collected a portion of the receivables.

Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Except to the extent that the balance of cash held-in trust is earning interest, the Company has no financial instruments that could otherwise be exposed to interest rate risk.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions on the due date. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

Outstanding Share Data

a) Authorized Capital:

Unlimited common shares, without par value

b) Issued and outstanding:

71,274,012 common shares as at November 25, 2014

c) Outstanding options, warrants and conversion feature of convertible notes as at November 25, 2014:

Security	Number	Exercise Price ($)	Expiry date
Stock Options	500,000	0.30	November 30, 2014
Stock Options	600,000	0.30	May 16, 2015
Stock Options	1,300,000	0.18	July 18, 2018
Stock Options	4,325,000	0.18	October 31, 2019
Stock Options	700,000	0.30	May 16, 2022
Warrants	1,550,000	0.30	November 26, 2014
Warrants	722,500	0.30	December 5, 2014
Conversion Feature of Convertible Notes	13,636,364	0.11	December 28, 2014

Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended July 31, 2014 and this accompanying MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

Risks and Uncertainties

Certain risks are faced by the Company which could affect its financial position. In general they relate to the availability of equity capital to finance the acquisition, exploration and development of existing and future exploration and development projects. The availability of equity capital to junior oil and gas companies is affected by commodity prices, global economic conditions and economic conditions and government policies in the countries of operation, among other things. These factors are beyond the control of the management of the Company and have a direct effect on the Company's ability to raise capital.

The Company's working capital and liquidity will fluctuate in proportion to its ongoing equity financing activities. The Company requires a certain amount of liquid capital in order to sustain its operations and in order to meet various obligations as specified under the its resource property acquisition agreements. Should the Company fail to obtain future equity financing due to reasons as described above, it will not be able to meet these obligations and may lose its interests in the properties covered by the agreements. Further, should the Company be unable to obtain sufficient equity financing for working capital, it may be unable to meet its ongoing operational commitments.

All of the Company's oil and gas properties are in the exploration stage and without known reserves. Exploration, development and production of oil and gas involves substantial expenditures and a high degree of risk. Few properties which are explored are ultimately developed into producing properties. Accordingly, the Company has no material revenue, writes off its oil and gas interests from time to time, and operates at a loss. Continued operations are dependent upon ongoing equity financing activities.

Outlook

The Company has secured the rights to explore more than 3,400 km² of PEL 112 and PEL 444 located on the Western Flank of the Cooper-Eromanga Basin in South Australia. These properties are situated adjacent to leases with recent oil discoveries, the prospects of which were largely matured using 3D seismic, and there is considerable potential for further discoveries.

Since undertaking the Farm-in Agreement obligations, the Company has completed 3D seismic surveys on a portion of PEL 112 and PEL 444. The Company has completed one exploration well on PEL 112, Wolfman #1, which resulted in a dry hole. Subject to the availability of financing, it is the Company's intention to further the exploration program on both PEL 112 and PEL 444. Management is currently assessing the next steps to advance the exploration program, including integrating the results of the 3D seismic survey on PEL 444 with the 2005 2D seismic data in order to identify prospects for drilling. PEL 444's current license term expires on July 10, 2015 and has a one-well drilling commitment remaining.

The Board of Directors has deferred the appointment of a Chief Executive Officer pending the outcome of the exploration activities on PEL 112 and PEL 444. The Chairman of the Board of Directors will continue to serve as the interim Chief Executive Officer.

As discussed elsewhere in this MD&A, the Company will require additional funding in order to meet all of its exploration objectives and general working capital requirements over the coming months. The Board of Directors is currently evaluating alternative funding strategies.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.