

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)

For the nine months ended April 30, 2014

The following information, prepared as of June 27, 2014, should be read in conjunction with the unaudited condensed interim consolidated financial statements of Terra Nova Energy Ltd. (the Company or Terra Nova) for the nine months ended April 30, 2014, together with the audited consolidated financial statements of the Company for the year ended July 31, 2013 and the accompanying Management's Discussion and Analysis (the MD&A) for that fiscal year. 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 June 27, 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 are listed 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 NVMF. The Company's corporate head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada.

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)
For the nine months ended April 30, 2014

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 km² 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 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. Drilling of Wolfman #1 cost approximately \$3.7 million. Management is currently assessing the next steps to advance the exploration program, including integrating the Wingman 3D seismic survey with the 2005 2D seismic data.

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: 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: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.

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)
For the nine months ended April 30, 2014

On March 5, 2014, the Company announced that Carlo Civelli and Jock McCracken have both agreed to join the advisory committee.

Mr. Civelli was 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 has 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.

Going Concern

The condensed interim 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 would be material. At April 30, 2014, the Company had not yet achieved profitable operations, had a working capital deficiency of \$1,942,904 (inclusive of the Convertible Notes . Liability Component of \$1,865,096), had an accumulated deficit of \$26,552,619 since inception and expects to incur further losses in the development of its business. As a result, 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. Subsequent to April 30, 2014, \$405,000 of convertible loans were converted into 3,681,816 common shares of the Company

Exploration and Evaluation Interests

On May 11, 2012 the Company executed an oil and gas farm-in agreement 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.

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)
For the nine months ended April 30, 2014

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 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 bear 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 km² 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 April 30, 2014, the Company had incurred A\$7,100,993 of the Seismic Earn-in Obligation. In July 2013, the Company received contributions of A\$523,259 from one of the farmors. At April 30, 2014, the Company has recorded a receivable of A\$558,273 from the farmors.

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 km² 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

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)

For the nine months ended April 30, 2014

encouraging further analysis. Management is currently assessing the next steps to advance the exploration program, including integrating the Wingman 3D seismic survey with 2005 2D seismic data.

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 will be applied against 100% of the dry-hole costs of the first wells 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. 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, management remains confident in the potential of PEL's 112 and 444. However, further study is required with respect to PEL 112 before the Company begins another exploration campaign on the license. In that only 6 percent of PEL 112 acreage was covered with the 3D program, within which locations were identified, much opportunity remains across 94% of the holding.

As at April 30, 2014, the balance of drilling funds in the trust account amounted to A\$105,154. The Company will require additional financing in order to complete the remaining two wells of the initial three well program or the number of wells drilled will need to be reduced.

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

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 April 30, 2014.

	Three Months Ended (\$)			
	April 30, 2014	January 31, 2014	October 31 2013	July 31 2013
Total Revenues	-	-	-	-
Net Loss	(275,685)	(274,975)	(1,342,648)	(4,267,402)
Net Loss Per Share (basic and diluted) ⁽¹⁾	(0.00)	(0.00)	(0.02)	(0.07)
Exploration and evaluation interest expenditures	145,884	63,359	1,212,329	5,443,155
Working capital (deficiency)	(1,942,904)	(1,599,525)	(715,407)	458,494
Total Assets	6,549,268	6,420,337	6,750,290	8,254,667

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)

For the nine months ended April 30, 2014

	Three Months Ended (\$)			
	April 30, 2013	January 31, 2013	October 31, 2012	July 31, 2012
Total Revenues	-	-	-	-
Net Loss	(151,589)	(687,790)	(405,144)	(581,629)
Net Loss Per Share (basic and diluted) ⁽¹⁾	(0.00)	(0.01)	(0.01)	(0.02)
Exploration and evaluation interest expenditures	174,361	263,982	3,688,866	735,406
Working capital (deficiency)	4,951,478	5,388,525	5,424,818	8,807,515
Total Assets	10,941,146	11,371,379	11,108,288	10,291,225

⁽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 net 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

Nine months ended April 30, 2014

The Company recorded a net loss of \$1,893,308 (\$0.03 per share) for the nine months ended April 30, 2014 as compared to a net loss of \$1,244,523 (\$0.02 per share) for the nine months ended April 30, 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 net loss to produce an adjusted net loss that forms a better basis for comparing the period-over-period operating results of the Company.

	Nine Months Ended	
	2014	April 30, 2013
	\$	\$
Net loss for the period as reported	(1,893,308)	(1,244,523)
Share-based payments	32,512	122,314
Warrant amendment expense	-	224,766
Interest income	(6,521)	(117,666)
Write-off of exploration and evaluation interests	1,139,707	-
Interest, accretion and loan placement expense	318,959	-
Adjusted net loss for the period ⁽¹⁾	(408,651)	(1,015,109)

⁽¹⁾ Adjusted net loss for the period 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 previously granted.
- Warrant amendment expense is based on the November 16, 2012 modification to 10,245,000 warrants. The expiry date of the warrants was extended from December 30, 2012 to June 30, 2013 and accordingly, the Company recorded warrant amended expense of \$224,766 using the Black-Scholes option pricing model.
- Interest income is derived primarily from funds held in escrow.

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)

For the nine months ended April 30, 2014

- Write-off of exploration and evaluation interests was due to writing-off certain ongoing costs of drilling Wolfman #1, the first well drilled at PEL 112.
- Interest, accretion and loan placement expense is a result of the convertible notes issued on July 8, 2013.

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

The approximate \$606,000 decrease in the adjusted net loss for the nine months ended April 30, 2014 as compared to the nine months ended April 30, 2013 is due primarily to a decrease in activities. Details of changes in certain expense items are as follows:

Audit and accounting fees of \$146,294 (2013 - \$192,926) include fees for general accounting services and accruals for audit fees.

Filing and transfer agent fees of \$51,622 (2013 - \$40,047) include fees paid to the Company's transfer agent and fees paid to the TSX Venture Exchange and the OTCQX marketplace.

Legal fees of \$39,462 (2013 - \$141,539) in the current period are for general business matters. Legal fees for the nine months ended April 30, 2013 were comprised of fees incurred related to the acquisition and documentation of the oil and gas properties.

Management fees of \$146,777 (2013 - \$416,488) include fees paid to the CEO, Henry Aldorf and the VP of Finance, Nico Civelli. In the prior period, the fees included fees paid to the former CEO, Norman Mackenzie, the former COO, Michael Kamis and other consultants. Both Mr. Mackenzie and Mr. Kamis resigned during the year ended July 31, 2013.

Office and miscellaneous expenses of \$27,650 (2013 - \$137,670) includes expenses such as rent, office management, insurance, bank fees, interest, and office management.

Overhead charged to exploration of \$43,029 (2013 - \$nil) is the recovery of management overhead as stipulated in the Joint Operating Agreement.

Travel and related expenses of \$23,312 (2013 - \$39,309) includes executive travel to and from Australia and other incidental travel.

Three months ended April 30, 2014

The Company recorded a net loss of \$275,685 (\$0.00 per share) for the three months ended April 30, 2014 as compared to a net loss of \$151,589 (\$0.01 per share) for the three months ended April 30, 2013. The decrease in the net loss was primarily due to interest, accretion and amortization of loan placement expense relating to the convertible loan.

Financing Activities and Capital Expenditures

During the nine months ended April 30, 2014, the Company did not complete any financings. During the nine months ended April 30, 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.

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)

For the nine months ended April 30, 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.

The capital expenditures of the Company during the nine months ended April 30, 2014 amounted to approximately \$2,172,000 all of which was spent on 3D seismic surveying, drilling and other oil and gas activities. The capital expenditures of the Company during the nine months ended April 30, 2013 amounted to approximately \$4,046,000 of which \$44,000 was spent on equipment and the remainder was spent on 3D seismic surveying and other oil and gas activities.

Liquidity and Capital Resources

The Company's operations consumed approximately \$538,000 of cash (before working capital items) for the nine months ended April 30, 2014. An additional approximate \$2,172,000 of cash was spent on the oil and gas properties. The cash requirement was fulfilled from cash and cash held-in-trust on hand at the beginning of the period 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 nine months ended April 30, 2014 resulted in a net decrease of \$2,016,170 in its cash and cash held-in-trust balance of \$2,267,231 at July 31, 2013 to \$251,061 at April 30, 2014.

At April 30, 2014, the Company has recorded a receivable of A\$558,273 (\$567,708) from the Farmers. As the Company expects to either settle the receivables from Farmers in exchange for non-current assets or receive cash at a future date more than 12 months from now, the Company has classified the receivables from Farmers as non-current.

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.

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)

For the nine months ended April 30, 2014

Transactions with Related Parties

During the three and nine months ended April 30, 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:

	Three months ended		Nine months ended	
	2014	April 30, 2013	2014	April 30, 2013
	\$	\$	\$	\$
Non-audit accounting fees ⁽¹⁾	5,602	24,699	37,642	56,699
Legal fees ⁽²⁾	38,874	74,464	146,435	407,964
Management fees ⁽³⁾	2,904	25,768	6,501	65,568
Exploration and evaluation interests - management and consulting fees ⁽⁴⁾	45,937	62,447	105,181	382,286
	93,317	187,378	295,759	912,517

⁽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 April 30, 2014, accounts payable and accrued liabilities included \$115,360 (July 31, 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 three and nine months ended April 30, 2014 and 2013 is identical to the table above other than share-based payments expense. During the nine months ended April 30, 2014, key management received share-based payments of \$32,512 (2013 - \$106,409).

Financial Instruments

Classification of Financial Instruments

The Company's financial instruments consist of cash, cash held-in-trust, receivable from farmers, accounts payable and accrued liabilities and convertible notes. The Company designated its cash, cash held-in-trust and receivable from farmers 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:

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)

For the nine months ended April 30, 2014

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. The Company had exposure to Australian dollars as follows:

	April 30, 2014 A\$	July 31, 2013 A\$
Cash	84,142	286,502
Cash held-in-trust	105,154	1,747,658
Receivable from farmers	610,377	561,140
Accounts payable and accrued liabilities	(32,851)	(982,578)
Net exposure to Australian dollars	766,822	1,612,722

At April 30, 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\$8,000.

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 farmers. 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 farmers is due from various third parties and the amount has not yet been received.

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:

70,004,013 common shares as at June 27, 2014

Terra Nova Energy Ltd.

Management's Discussion and Analysis (MD&A)

For the nine months ended April 30, 2014

c) Outstanding options, warrants and conversion feature of convertible notes as at June 27, 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	700,000	0.30	May 16, 2022
Warrants	818,181	0.11	July 8, 2014
Warrants	3,500,000	0.30	October 31, 2014
Warrants	1,000,000	0.30	November 6, 2014
Warrants	1,550,000	0.30	November 26, 2014
Warrants	722,500	0.30	December 5, 2014
Conversion Feature of Convertible Notes	13,636,365	0.11	July 8, 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 three and nine months ended April 30, 2014 and this accompanying MD&A (together, the Interim 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 Interim 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

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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.