Terra Nova Energy Ltd.

Managementœs Discussion and Analysis (ñMD&Aò)
For the nine months ended April 30, 2016

The following information, prepared as of June 24, 2016, should be read in conjunction with the condensed interim consolidated financial statements of Terra Nova Energy Ltd. (the ñCompanyò or ñTerra Novaò) for the nine months ended April 30, 2016, together with the audited consolidated financial statements of the Company for the year ended July 31, 2015 and the accompanying managementœs Discussion and Analysis (the ñAnnual MD&Aò) for that fiscal year. The referenced condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (ñIFRSò). 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 ñplansò, ñintendsò, ñanticipatesò, ñshouldò, ñestimatesò, ñexpectsò, ñbelievesò, ñindicatesò, ñsuggestsò and similar expressions.

This MD&A, and in particular, the ñOutlookò section contains forward-looking statements. These forward-looking statements include without limitation: statements about the Companyœs 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 Companyœs expectations as of June 24, 2016. Readers are cautioned not to place undue reliance on these statements as the Companyœs 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 Companyœs business, or if the Companyœs 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 ñRisk Factorsò 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 Companyœs 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 Canada Business Corporations Act and continued under the laws of Alberta effective August 20, 2012. The Companyœs principal business is the acquisition and exploration of petroleum and natural gas properties. The Companyœs shares trade on the TSX Venture Exchange (the "TSX-V") under the symbol ñTGCò, the Frankfurt Stock Exchange under the symbol ñGLTNò and the OTCQX marketplace under the symbol ñTNVMFò. The Company's corporate head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada.

Highlights

1. On September 9, 2015, the Company announced that an agreement had been reached with its Joint Venture co-venturers, Perseville Investing Inc. ("Perseville") and Holloman Energy Corporation ("Holloman"), to drill one well before the end of 2015 on PEL 444. Pursuant to the Joint Operating Agreement, all parties agreed to drill a commitment well to test the "Baikal 1" target. The "Baikal 1" target was selected by Terra Nova's technical team for drilling based on their extensive interpretation work on the reprocessed date from the Wingman 3D seismic survey, using the latest AVO and inversion techniques to further de-risk the prospects.

2. On October 6, 2015, the Company granted 1,300,000 stock options to certain consultants and a director of Terra Nova's Australian subsidiary. Each stock option will allow the holder to purchase a common share of Terra Nova at an exercise price of $0.18 per share. Of the 1,300,000 options granted, 200,000 options were granted for a period of one year from the date of grant and 1,100,000 options were granted for a period of five years from the date of grant.

3. On October 27, 2015, the Company announced that Senex Energy Ltd. ("Senex") was selected to drill the Baikal 1 well on PEL 444 on behalf of the Joint Venture. The drilling program commenced on November 23, 2015 and the Baikal 1 well was spudded on December 3, 2015. On December 9, 2015, the Company announced that Baikal 1 reached target depth at 2,176 metres (7,138 feet) on time and under budget. No hydrocarbons were found to be present and therefore the well was plugged and abandoned.

4. On May 31, 2016, the Company announced that it completed a 3D seismic data exchange with Senex Energy Limited and Bridgeport Energy Australia. The data exchange with Senex resulted in the Company securing a copy of the 26 km^2 3D seismic data volume from the Senex Jasmine survey, which runs adjacent to the Company's Wingman 3D seismic acquisition on PEL 444. As part of the transaction, Terra Nova also received well data from the first Senex well drilled using the Jasmine 3D seismic survey in exchange for well data from the recent Terra Nova Baikal 1 well.

Exploration and Evaluation Interests

Terra Nova, Holloman and Perseville, being the working interest holders of PEL 112 and 444, are subject to the 2006 Joint Operating Agreement (the "JOA"). Terra Nova serves as operator. The current working interest in PEL's 444 and 112 is 48.5003% for Holloman, 30.8330% for Perseville and 20.6667% for Terra Nova.

PEL 112 is in good standing until January 10, 2019. Upon completion of the Baikal 1 well on PEL 444, the PEL 444 license is in good standing until 2020.

Exploration Activities

Seismic Surveys

The Company has 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 September 9, 2015, the Company announced that an agreement had been reached with its Joint Venture co-venturers, Perseville and Holloman, to drill one well before the end of 2015 on PEL 444. Pursuant to the Joint Operating Agreement, all parties agreed to drill a commitment well to test the "Baikal 1" target.

The Company budgeted A$3,000,000 to drill Baikal 1 at PEL 444, A$294,000 for seismic reprocessing at PEL 444 and A$62,896 as license administration on PELs 112 and 444. The JV co-venturers were cash called, and to April 30, 2016, the JV has received an aggregate of A$2,825,555 from Perseville and Holloman.

On October 27, 2015, the Company announced that Senex Energy Ltd. had been selected to drill the Baikal 1 well on PEL 444 on behalf of the joint venture. The Company, as operator, obtained a competitive rate by leveraging Senex's current drilling program in the region. Senex currently operates a large acreage position in the Cooper-Eromanga Basins and has completed several successful drilling programs that have led to new oil discoveries within those basins.

The drilling program commenced on November 23, 2015 and the Baikal 1 well was spudded on December 3, 2015. On December 9, 2015, the Company announced that Baikal 1 reached target depth at 2,176 metres (7,138 feet) on time and under budget. No hydrocarbons were found to be present and therefore the well was plugged and abandoned.

Although there were no hydrocarbon shows, the Baikal 1 well proved the existence of the Mid-Birkhead channel system in PEL 444. These results will be included to improve the Company's exploration model. The experience in the Cooper-Eromanga basin has shown both wet and Hydrocarbon filled channels can exist in close proximity to each other. Once this model is updated, the Company plans to review other targets in the existing 3D covered area, which is only a fraction of PEL 444. Terra Nova has the necessary finances to continue to fund its share of a future exploration program. With this well, the Company has fulfilled its obligations with the Government of Australia on PEL 444 and enters a new five year license period.

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, 2016.

	Three Months Ended ($)			
	April 30, 2016	**January 31, 2016**	**October 31, 2015**	**July 31, 2015**
Total Revenues	-	-	-	-
Income (loss)	3,711	(740,514)	(167,132)	(385,350)
Loss Per Share (basic and diluted)[(1)]	0.00	(0.01)	(0.00)	(0.00)
Exploration and evaluation interest expenditures	(51,903)	456,967	15,344	52,828
Working capital	1,536,644	1,620,401	2,149,726	2,313,400
Total Assets	4,705,449	4,873,322	5,424,006	5,686,322

	Three Months Ended ($)			
	April 30, 2015	**January 31, 2015**	**October 31, 2014**	**July 31, 2014**
Total Revenues	-	-	-	-
Loss	(134,529)	(165,687)	(707,061)	(276,863)
Loss Per Share (basic and diluted)[(1)]	(0.00)	(0.00)	(0.01)	(0.00)
Exploration and evaluation interest expenditures	185,085	165,823	126,254	35,851
Working capital (deficiency)	2,650,896	(26,149)	(1,695,390)	(1,375,005)
Total Assets	6,045,551	6,376,765	6,219,571	6,299,155

(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.

During the three months ended April 30, 2016, the Company received a credit from Senex as the Baikal 1 drilling costs came in under budget. This resulted in a reversal of a previously recorded write-down of E&E assets of $114,981. The increase in loss recorded during the three months ended January 31, 2016 was due to recording a write-down of E&E assets of $625,647 representing the Companyœ share of the Baikal 1 drilling costs. The increase in loss recorded during the three months ended July 31, 2015 was primarily due to the costs relating to the Annual General ShareholdersôMeeting (the ñAGMö). The increase in loss recorded during the three months ended October 31, 2014 was due to recording share-based payments expense of $486,345.

Results of Operations

Nine months ended April 30, 2016
The Company recorded a loss of $914,880 ($0.01 per share) for the nine months ended April 30, 2016 as compared to a loss of $1,007,277 ($0.01 per share) for the nine months ended April 30, 2015. 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 period-over-period operating results of the Company.

	2016 **$**	**2015** **$**
Loss for the period as reported	(914,880)	(1,007,277)
Share-based payments	34,518	486,345
Interest, accretion and loan placement expense	-	75,000
Write-down of E&E assets	510,666	-
Adjusted loss for the period (1)	(369,696)	(445,932)

(1) Adjusted 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 fair value of stock options granted during the periods. During the nine months ended April 30, 2016, the Company granted 1,300,000 stock options (2015 ï 4,325,000 options);

- Interest, accretion and loan placement expense is a result of the convertible notes issued on June 28, 2013. On December 24, 2014, the convertible notes were converted into 13,636,364 common shares.

- The write-down of E&E assets represents the Companyœ share of the costs to drill Baikal 1.

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

The approximate $76,000 decrease in the adjusted loss for the nine months ended April 30, 2016 as compared to the nine months ended April 30, 2015 is due primarily due to an increase in overhead charged to exploration and a decrease in shareholder communications expense and office and miscellaneous expenses.

Details of changes in certain expense items over the nine month periods are as follows:

Audit and accounting fees of $111,888 (2015 - $94,664) include fees for general accounting services and accruals for audit fees.

Filing and transfer agent fees of $33,234 (2015 - $33,729) include fees paid to the Company's transfer agent and fees paid to the TSX Venture Exchange and the OTCQX marketplace.

Legal fees of $94,391 (2015 - $31,138) in the current period are for general business matters. The increase in the current period was due to a detailed review of the contractual terms of the oil and gas agreements.

Management fees of $156,417 (2015 - $148,630) include fees paid to the CEO, Henry Aldorf, the VP of Finance, Nico Civelli and certain consultants.

Office and miscellaneous expenses of $40,486 (2015 - $73,685) includes expenses such as rent, insurance, bank fees, interest, and office management. The decrease is primarily due to decreased rent and office management.

Overhead charged to exploration of $88,713 (2015 - $6,223) are overhead expenses charged to the joint ventures in accordance with the terms of the JOA.

Shareholder communications of $5,939 (2015 - $35,096) includes costs associated with marketing and promoting the Company to current and potential shareholders.

Travel and related expenses of $nil (2015 - $30,512) includes executive travel to and from Australia and other incidental travel.

Financing Activities and Capital Expenditures

The Company did not complete any financing activities during the nine months ended April 30, 2016. During the period, The JV received A$2,825,555 from Perseville and Holloman pursuant to cash calls. A substantial portion of these funds were used in December 2015 to drill Baikal 1.

Liquidity and Capital Resources

The Company's operations consumed approximately $354,000 of cash (before working capital items) for the nine months ended April 30, 2016. An additional approximate $354,000 of expenditures were spent on the oil and gas interests. The cash requirement was fulfilled from cash on hand at the beginning of the period.

The Company's aggregate operating, investing and financing activities during the nine months ended April 30, 2016 resulted in a net decrease of $745,872 in its cash balance of $2,409,469 at July 31, 2015 to $1,663,597 at April 30, 2016.

The Company is well capitalized to fund its share of a future exploration program.

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 at least the next twelve months. At April 30, 2016, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business. At April 30, 2016, the Company had working capital of $1,536,644. The Company will need additional financing to continue to develop its oil and gas exploration and evaluation assets 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.

Management believes that the use of the going concern assumption is appropriate for the financial statements. Management believes that the Company will be able to obtain additional financing, through the issuance of either shares or debt to fund continuing operations and exploration and development activities. 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.

Transactions with Related Parties

During the three and nine months ended April 30, 2016 and 2015, 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 April 30,		Nine months ended April 30,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Non-audit accounting fees[(1)]	12,790	9,139	45,652	32,412
Legal fees (corporate secretary)[(2)]	-	1,093	1,840	8,648
Management fees[(3)]	30,000	37,500	102,500	114,000
Office and miscellaneous fees	3,000	9,000	11,000	33,000
Exploration and evaluation interests - consulting fees[(4)]	961	31,323	81,173	72,852
	46,751	88,055	242,165	260,912

(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 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 VP of Exploration, Chas Lane.

At April 30, 2016, accounts payable and accrued liabilities included $44,793 (July 31, 2015 - $106,653) 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.

Key management includes the Chief Executive Officer, the Chief Financial Officer, the VP of Exploration, the VP of Finance and the directors of the Company. Compensation paid or payable to key management for services during the period amounted to $173,337 (2015 - $232,703). In addition, key management received share-based payments of $6,034 (2015 - $323,293).

Financial Instruments

Classification of Financial Instruments
The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. The Company designated its cash and receivables as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities 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.

The Company had exposure to Australian dollars as follows:

	April 30, 2016 A$	July 31, 2015 A$
Cash	612,735	108,408
Receivable from JV co-venturers	14,056	158,960
Accounts payable and accrued liabilities	(4,840)	(59,134)
Net exposure to Australian dollars	621,951	208,234

At April 30, 2016, 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$6,000.

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 JV co-venturers. 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.

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 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:

87,533,785 common shares as at June 24, 2016

c) Outstanding options and warrants as at June 24, 2016:

Security	Number	Exercise Price ($)	Expiry date
Stock Options	200,000	0.18	October 2, 2016
Stock Options	1,300,000	0.18	July 18, 2018
Stock Options	4,325,000	0.18	October 31, 2019
Stock Options	1,100,000	0.18	October 2, 2020
Stock Options	700,000	0.30	May 16, 2022

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 nine months ended April 30, 2016 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 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.

The Company has taken all reasonable steps to attempt to ensure that proper title to its oil and gas properties have been obtained and that all grants of such rights thereunder, if any, have been registered with the appropriate public offices. Despite the due diligence conducted by the Company, there is no guarantee that title to such oil and gas properties will not be challenged or impugned. The Company's oil and gas property interests may be subject to disputes, prior unregistered agreements or transfers or aboriginal land claims and title may be affected by undetected defects. In particular, Holloman has disputed the Company's ownership of a 5.8333% working interest in PEL 444 notwithstanding the fact that the Company was transferred such interest pursuant to a Deed of Assignment and Assumption dated February 15, 2014. Although the Company maintains that it is the legal and beneficial owner of such interest, there is no assurance that it will be successful in defending its title to such interest.

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 commencing exploration, 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. On December 9, 2015, the Company completed one exploration well on PEL 444, Baikal 1, which resulted in a dry hole.

On January 25, 2016, the Chairman and CEO, Henry Aldorf, provided a year-end letter to shareholders. The letter discussed significant milestones achieved in 2015 as well as the outlook for 2016 and beyond. The letter to shareholders is available at www.sedar.com or on the Company's website.

Terra Nova plans to use the results of the Baikal 1 well to improve the exploration model prior to finalizing the next course of action. The Company has the necessary finances to continue to fund its share of a future exploration program.

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.

Other Information

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