The following information, prepared as of November 17, 2015, 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, 2015. 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 17, 2015. 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 and continued under the laws of Alberta effective August 20, 2012. 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 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 and field data from the Charo-Snatcher field located approximately 21 km South-East of the Wingman Survey to better image the similar channel features in Wingman and Charo-Snatcher. 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 had been completed and the Company had identified six prospective targets that appear suitable for drilling exploratory wells.

2. On December 24, 2014, the remaining $1,500,000 of convertible notes were converted into 13,636,364 common shares of the Company.

3. On January 30, 2015, the Company completed a private placement offering of 2,532,500 units at a price of $0.20 per unit for gross proceeds of $506,500.

4. On February 23, 2015, the Company sold a 5.1666% working interest in each of PEL 112 and PEL 444 to Perseville Investing Inc. ("Perseville") for a total of $3,000,000, including payment of A$191,226 ($188,011) of amounts owing to the Company. The net amount of $2,811,989 was applied to the sale of the 5.1666% working interest in the PEL's. Terra Nova plans to use the proceeds towards the drilling of exploration wells in the upcoming operational program on PEL 444. Prior to closing of the transaction, Perseville owned a 25.6664% working interest in each of PEL 112 and PEL 444.

5. On May 19, 2015, the Company announced that it had terminated its Farm-in Agreement with Holloman Energy Corporation ("Holloman") and plans to advance its working interests in PEL's 112 and 444 on a pro-rata basis. Terra Nova reviewed the terms of the Farm-in Agreement in light of the current oil environment and concluded there is potential to generate higher returns for its shareholders by funding a proportional share in exploration costs.

6. On July 16, 2015, the Company announced the results of its Annual General Meeting (the "AGM") on July 15, 2015. All members of the Company's board of directors were re-elected. The AGM had a turnout in persons or by proxy representing approximately 82% of the Company's issued and outstanding shares. The re-elected directors include: Henry Aldorf, Nico Civelli, Steven Harding, Robert McMorran, Mark Jarvis and Lyle Davis. A group of dissident shareholder's submitted nominees for election to the board of directors. None of the dissident shareholder's nominees were elected.

7. 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 "Baikal 1" target is one of multiple targets 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. The commitment well constitutes the initial well of a planned multi-well drill program on PEL 444.

8. 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.

9. On October 27, 2015, the Company announced that Senex Energy Ltd. has been selected to drill the Baikal 1 well on PEL 444 on behalf of the joint venture. The drilling program is expected to commence in early December.

Management Changes

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.

Exploration and Evaluation Interests

On May 11, 2012, as amended on May 29, 2013, the Company entered into an oil and gas farm-in agreement to secure the right to earn up to a 55% working interest in petroleum and natural gas rights on certain on-shore Australian Petroleum Exploration Licenses ("PEL"), known as PEL's 112 and 444 (the "Farm-in Agreement"). During the term of the Farm-In Agreement, the Company acquired a 25.8333% interest in each of PEL 112 and 444.

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").

On February 23, 2015, the Company sold a 5.1666% working interest in each of PEL 112 and PEL 444 to Perseville Investing Inc. for a total of $3,000,000 (the "Transaction"), including payment of A$191,226 ($188,011) of amounts owing to the Company. The net amount of $2,811,989 was applied to the sale of the 5.1666% working interest in the PELs.

Prior to closing of the Transaction, Perseville owned a 25.6664% working interest in each of PEL 112 and PEL 444. Accordingly, Perseville increased its working interest in PEL 112 and PEL 444 to 30.8330% and Terra Nova now owns a 20.6667% working interest in each of PEL 112 and PEL 444.

Perseville is a related party of Terra Nova as it is a private company controlled by Carlo Civelli, the father of Nico Civelli, a Director and Officer of the Company. Carlos Civelli is also a shareholder of Terra Nova.

On May 19, 2015, the Company announced that it had terminated its Farm-In Agreement with Holloman. The Company plans to fund all of the exploration of PEL's 112 and 444 on a pro-rata basis to the respective working interests of Perseville, Holloman and the Company. Terra Nova reviewed the terms of the Farm-In Agreement in light of the current oil environment and concluded there is potential to generate higher returns for its shareholders by funding a proportional share in exploration costs, than under the Farm-in Agreement.

Following termination of the Farm-In Agreement, Terra Nova, Holloman and Perseville, being the working interest holders of PEL 112 and 444, are now subject to the 2006 Joint Operating Agreement (the "JOA"). Terra Nova, being appointed as operator pursuant to the Farm-In Agreement and Deeds of Assignment, will continue to serve as operator. The current working interest in the PEL's 444 and 112 is 48.5003% for Holloman, 30.8330% for Perseville and 20.6667% for Terra Nova.

In July 2015, the Company received a notice of dispute from Holloman relating to the Company's 5.8333% interest in PEL 444. After receiving external advice, the Company believes the dispute has no merit and the Company will be defending its position. The outcome of the dispute is not determinable and therefore no liability or provision has been recorded in the consolidated financial statements.

To date, Terra Nova earned its initial 20.6667% interest at a net cost of approximately $6.2 million. The Farm-In Agreement, which was negotiated in March of 2012 when oil was near $100 per barrel, was estimated to require exploration expenditures of $12 to $15 million in order to earn up to an additional 29.16% working interest ($412K to $514K per 1%).

Terra Nova plans on completing a multi-well program on PEL 444, beginning with one well, Baikal 1, in 2015. The planned program may include two to four wells at an estimated total cost of $5 to $10 million, of which Terra Nova's proportional share is estimated to be approximately $1.5 to $2.0 million. Terra Nova is fully funded to contribute its share of exploration expenditures. During September and October 2015, the Company received an aggregate of A$2.4M from joint venture co-venturers to be used to fund the first well on PEL 444.

Terra Nova received approval to extend the deadline for exploration expenditures on PEL 444 from June 1, 2015 to January 11, 2016. PEL 444 is in good standing until January 11, 2016 and PEL 112 is in good standing until January 10, 2019. Upon completion of the upcoming drilling program on PEL 444, the license will be in good standing until 2020.

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 km^2 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, the 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.

On June 10, 2013, the Company announced that seismic crews set camp and began line preparation of PEL 444. 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.

In December 2013, the Company completed the initial 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.

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 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 targets 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 Company has commenced the reprocessing of PEL 112õs Mulka 3D seismic survey by employing similar techniques that were used in the seismic reprocessing of PEL 444.

Drilling

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 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) and was plugged and abandoned. Notwithstanding the lack of success on the Wolfman #1, management remains confident in the potential of PELõs 112 and 444.

On completion of the Perseville Transaction, the Company received $3,000,000 which will be used towards the upcoming drilling program on PEL 444.

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 ñBaikal 1ò target. The commitment well constitutes the initial well of a planned multi-well drill program on PEL 444.

On October 27, 2015, the Company announced that Senex Energy Ltd. (ñSenexò) has been selected to drill the Baikal 1 well on PEL 444 on behalf of the joint venture. Baikal 1 is expected to commence in early December and will be drilled as a vertical slim-hole well to the Pre-Jurassic Unconformity to an expected depth of 2,050 meters (6,700 feet) targeting the Mid-Birkhead channel sands. The Company, as operator, obtained a competitive rate by leveraging Senexõs 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.

Selected Annual Information

The following is a summary of certain selected audited consolidated financial information of the Company for the years ended July 31, 2015, 2014 and 2013:

	2015 $	2014 $	2013 $
Total Revenues	-	-	-
Loss	(1,392,627)	(2,170,171)	(5,511,925)
Loss Per Share (basic and diluted)[1]	(0.02)	(0.03)	(0.09)
Total Assets	5,686,322	6,299,155	8,254,667
Convertible notes ï 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 years ended July 31, 2014 and 2013 was due to recognizing write-downs of $1,268,989 and $4,176,277, respectively. The Company did not record any write-down during the year ended July 31, 2015.

Quarterly Information

The following is selected financial data from the Companyøs unaudited quarterly financial statements for the last eight quarters ending with the most recently completed quarter, being July 31, 2015.

	Three Months Ended ($)			
	July 31, 2015	**April 30, 2015**	**January 31, 2015**	**October 31, 2014**
Total Revenues	-	-	-	-
Loss	(385,350)	(134,529)	(165,687)	(707,061)
Loss Per Share (basic and diluted)(1)	(0.00)	(0.00)	(0.00)	(0.01)
Exploration and evaluation interest expenditures	52,828	185,085	165,823	126,254
Working capital (deficiency)	2,313,400	2,650,896	(26,149)	(1,695,390)
Total Assets	5,686,322	6,045,551	6,376,765	6,219,571

	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

(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 July 31, 2015 was primarily due to the costs relating to the Annual General ShareholdersôMeeting (the ñAGMò). The increase in loss recorded during the three months ended October 31, 2014 was due to recording share-based payments expense of $486,345. 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, 2015

The Company recorded a loss of $1,392,627 ($0.02 per share) for the year ended July 31, 2015 as compared to a loss of $2,170,171 ($0.03 per share) for the year ended July 31, 2014. 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.

	2015 $	2014 $
Loss for the year as reported	(1,392,627)	(2,170,171)
Share-based payments	486,345	32,512
Gain on debt settlement	-	(57,150)
Write-off of exploration and evaluation interests	-	1,268,989
Interest, accretion and loan placement expense	62,500	403,113
Adjusted loss for the year (1)	(843,782)	(522,707)

(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 fair value of stock options granted during the nine months ended April 30, 2015 (4,325,000 options);

- On July 24, 2014, the Company issued 1,269,999 common shares of the Company at the fair value of $133,350 as settlement of $190,500 of interest on the convertible notes. The Company recorded a gain on debt settlement of $57,150.

- 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 $321,000 increase in the adjusted loss for the year ended July 31, 2015 as compared to the year ended July 31, 2014 is due partially to the fact that the Company charged $44,002 for the recovery of management overhead as stipulated in the Joint Operating Agreement during the year ended July 31, 2014 (2015 - $8,263). The increase was primarily due to an increase in shareholder communications expense relating to the AGM.

Details of changes in certain expense items are as follows:

Audit and accounting fees of $132,769 (2014 - $180,794) include fees for general accounting services and accruals for audit fees. The decrease during fiscal 2015 was due to a reduction in activities.

Filing and transfer agent fees of $57,005 (2014 - $67,755) include fees paid to the Company's transfer agent and fees paid to the TSX Venture Exchange and the OTCQX marketplace.

Legal fees of $82,639 (2014 - $55,660) in the current period are for general business matters. In addition, the Company incurred fees related to the termination of the Farm-in Agreement and the AGM.

Management fees of $210,723 (2014 - $186,517) include fees paid to the CEO, Henry Aldorf, the VP of Finance, Nico Civelli and certain consultants. In the current year, management fees included $48,893 of consulting fees paid to three individuals who assisted the Company (2014 - $28,517 paid to one individual).

Office and miscellaneous expenses of $93,911 (2014 - $35,599) includes expenses such as rent, insurance, bank fees, interest, and office management. The increase is primarily due to increased rent, insurance and office management.

Shareholder communications of $195,096 (2014 - $11,359) includes costs associated with marketing and promoting the Company to current and potential shareholders. The increase in expense during the current year was due to the costs of the AGM. In the current year, a group of dissident shareholder's submitted nominees for election to the board of directors. All of the Company's directors were re-elected and none of the dissident shareholder's nominees were elected.

Travel and related expenses of $73,603 (2014 - $26,304) includes executive travel to and from Australia and other incidental travel.

Financing Activities and Capital Expenditures

During the year ended July 31, 2015, the Company completed the following financing activities:

i) On January 30, 2015, the Company completed a private placement offering of 2,532,500 units at a price of $0.20 per unit for gross proceeds of $506,500. Each unit is comprised of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder thereof to purchase one additional common share at $0.25 per share up to January 30, 2016. In connection with the private placement, the Company incurred $4,252 of legal and filing fees.

ii) On February 23, 2015, the Company sold a 5.1666% working interest in each of PEL 112 and PEL 444 to Perseville for a total of $3,000,000, including payment of A$191,226 ($188,011) of amounts owing to the Company.

iii) The Company extended the term of $1,500,000 of convertible notes from June 28, 2014 to December 28, 2014 with all other terms remaining unchanged. On December 24, 2014, the remaining $1,500,000 of convertible notes were converted into 13,636,364 common shares of the Company.

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.

The capital expenditures of the Company during the year ended July 31, 2015 amounted to a recovery of cash of $2,662,634. The Company recovered A$495,873 during the period from the farmors relating to seismic costs in excess of A$4,700,000 and the farmors share of license administration costs. The Company also received $2,811,989 from the sale of a minority working interest in PELs 112 and 444. The Company incurred $529,990 of expenses all of which was incurred on 3D seismic data reprocessing, preparing for PEL 444 drilling and other oil and gas activities.

Liquidity and Capital Resources

The Company's operations consumed approximately $899,000 of cash (before working capital items) for the year ended July 31, 2015. An additional approximate $2,663,000 of expenditures were recovered on the oil and gas interests. The cash recoveries of approximately $2,663,000 was from the recovery of A$495,873 from the farmors plus $2,811,989 received from the sale of a minority interest of E&E assets less total expenditures of approximately $530,000. The cash requirement was fulfilled from cash and cash held-in-trust on hand at the beginning of the year, proceeds from the exercise of 90,909 share purchase warrants at $0.11 per share, proceeds from a private placement of $506,500 and $2,811,989 from the sale of a minority interest of E&E assets.

The Company's aggregate operating, investing and financing activities during the year ended July 31, 2015 resulted in a net increase of $2,257,326 in its cash and cash held-in-trust balance of $152,143 at July 31, 2014 to $2,409,469 at July 31, 2015.

The Company is well capitalized to fund a multi-well drill program on PEL 444. The Company is obligated to pay for its 20.6667% share of drilling Baikal 1 at PEL 444 in calendar 2015. Subsequent to July 31, 2015, the Company received an aggregate of A$2,431,144 from the Joint Venture co-venturers which will be used to pay for their share of drilling expenditures.

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 at least the next twelve months. At July 31, 2015, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business. At July 31, 2015, the Company had working capital of $2,313,400. If the Company does not achieve profitable operations after the planned drill program at PEL 444, 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 years ended July 31, 2015 and 2014, the Company incurred the following expenditures charged by directors and officers of the Company and/or companies they owned or were significant shareholders of:

	2015 **$**	**2014** **$**
Non-audit accounting fees(1)	46,894	42,876
Legal fees (corporate secretary)(2)	12,098	11,011
Management fees(3)	161,830	186,309
Office and miscellaneous fees	36,000	-
Exploration and evaluation interests - consulting fees(4)	89,712	181,541
Exploration and evaluation interests - consulting fees(5)	248,339	-
	594,873	421,737

(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.
(5) Includes fees billed by Pacific LNG Operations Pte Ltd. and Pacific Hunt Energy Pte Ltd., companies where Henry Aldorf serves as a director.

At July 31, 2015, accounts payable and accrued liabilities included $106,653 (2014 - $121,219) 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 year amounted to $346,534 (2014 - $421,737). In addition, key management received share-based payments of $359,839 (2014 - $32,512).

On February 23, 2015, the Company completed the Perseville Transaction where the Company sold an interest in PEL 112 and PEL 444 for $2,811,989. Perseville is a related party of Terra Nova as it is a private company controlled by Carlo Civelli. Nico Civelli, Vice President of Finance and a director of Terra Nova, is the son of Carlo Civelli.

Financial Instruments

Classification of Financial Instruments
The Company's financial instruments consist of cash, cash held-in-trust, receivable and accounts payable and accrued liabilities. 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 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, 2015 and 2014, the Company had exposure to Australian dollars as follows:

	2015 **A$**	**2014** **A$**
Cash	108,408	78,161
Cash held-in-trust	-	46,914
Receivable from JV co-venturers	158,960	211,208
Accounts payable and accrued liabilities	(59,134)	(5,497)
Net exposure to Australian dollars	208,234	330,786

At July 31, 2015, 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$2,000.

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 JV co-venturers is due from various third parties. Subsequent to July 31, 2015, 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:

87,533,785 common shares as at November 17, 2015

c) Outstanding options, warrants and conversion feature of convertible notes as at November 17, 2015:

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
Warrants	1,266,250	0.25	January 30, 2016

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, 2015 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.

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 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. The Company has successfully raised $3,000,000 to conduct a drill program on PEL 444. PEL 444's current license term was to expire in June 2015 but it has been extended to January 2016. PEL 444 has a one-well drilling commitment remaining in order to renew the PEL.

Terra Nova recently received an aggregate of A$2,431,144 from Holloman and Perseville which will be used to fund the drilling of Baikal 1 on PEL 444. Drilling is expected to commence in early December.

Terra Nova plans to complete a multi-well program in 2015/2016. This program may include two to four wells at estimated total cost of $5 to $10 million, of which Terra Nova's proportional share is estimated to be $1.5 to $2.0 million. Terra Nova is fully funded to contribute its share of exploration expenditures.

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.