

NEWTON ENERGY CORPORATION

May 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") for Newton Energy Corporation ("Newton" or the "Company") should be read in conjunction with the interim unaudited financial statements and notes of the Company for the three months ended March 31, 2008 and the audited financial statements of the Company for the year ended December 31, 2008. This MD&A incorporates information up to and including May 29, 2008. The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All of the amounts reported in this MD&A are in Canadian dollars, unless otherwise indicated. Certain other information with respect to the Company is available on SEDAR, at www.sedar.com. Additional information can also be obtained by contacting the Company at Newton Energy Corporation Suite 200, 638, 11th Ave. S.W., Calgary, Alberta, T2R 0E2.

ADVISORY REGARDING FORWARD LOOKING STATEMENTS

Certain statements included or incorporated by reference in the MD&A constitute forward-looking statements or forward-looking information under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to reserves, crude oil and natural gas prices, operating costs, general and administrative costs, taxation rates, and capital expenditure plans. Existing or potential investors should not place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations they are based on will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown, risks and uncertainties, both general and specific that contributes to the possibility that although the predictions, forecasts, projections and other forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements include general economics, business and market conditions; volatility of energy prices; fluctuations in interest rates; energy supply and demand; competition, access to future funding, timing and amount of capital expenditures, operating cost adjustments; and such other risks and uncertainties described from time to time. Existing or potential investors are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this document are made as of the date this report, effective May 29, 2008, and the Company does not take any obligations to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

THE COMPANY

Newton is focused on the exploration and development of oil production in United Kingdom. Its principal focus is in the East Midland areas of the UK and the Company has submitted its applications for Licences in the 13th Landward Licensing Round. The Company Chairman, CEO & CFO met with the officials of Department of Business, Enterprise and Regulatory Reform on 26th March 2008 for a technical review of Company's application. The Company was advised that a determination by the Minister was unlikely before July.

The Company's main objective is be awarded at least 65,000 acres of land in this licensing round and if successful has plans to explore and develop the areas under license for oil. If the Company is not successful in obtaining these licenses, the company has no other oil and gas properties and will have to return \$3,500,938 held in trust for Subscription Receipts purchasers in the recent Private Placements. (see Private Placements for detail)

OVERVIEW

The Company's focus during three months ended March 31, 2008 was to prepare and submit its application for licenses in the 13th round. The company also managed to raise more financing by way of private placement.

Newton Energy Corporation was informed on May 28, 2008 that the United Kingdom Secretary of State has offered Newton Energy UK Ltd, ("Newton UK", a wholly owned subsidiary of Newton) two Petroleum Exploration and Development licenses in the East Midlands Basin onshore in the United Kingdom. The two licenses cover a contiguous area covering 100,000 acres located to the Southwest of the city of Nottingham.

The licenses are cover two stages, the first being a six year period with a designated minimum work program consisting of firm commitments to drill two wells and collect additional seismic and geochemical information, and a second stage of an additional 25 years for additional development and exploration.

With the announcement of the license award Newton will be pursuing the release from escrow of the balance of the subscription receipt funds and the issue of shares subsequent to and the lifting of the voluntary trading halt.

The license award will now allow the Newton to proceed with the acquisition of the necessary permits, consents and permissions required to execute its drilling program planned for 2008.

PRIVATE PLACEMENT

Shareholders of the Company in their Special Annual General Meeting on May 27, 2007 approved and authorized the company to have Private Placement Financing of a minimum of 4,000,000 and a maximum of 10,000,000 post-consolidated shares at a price of \$0.50 per share or other discount as determined and approved by the Board of Directors of the Company, in their discretion, and within the policies of the TSX Venture Exchange.

The following table shows the detail of three closing under the above mentioned private

Date	Number of subscription Receipts issued	Number of shares issued	Costs of the issue to Brokers	Cash transferred to CIBC Mellon	Agents options granted
12 September 07	4,875,500	731,325	155,763.59	2,072,087.50	487,500
30 November 07	1,212,000	181,800	42,077.53	515,100.00	121,200
23 January 08	610,000	91,500	23,834.60	259,250.00	61,000
19 March 08	1,540,000	231,000	47,506.50	654,500	154,000
17 April 08	400,000	60,000		170,000	40,000
Total	8,637,500	1,295,625	269,182.22	3,670,937.50	863,700

All Subscription Receipts (the “Subscription Receipts”) of the Company issued so far were at a price of \$0.50 per Subscription Receipt in connection with its previously announced private placement of a minimum of \$2,000,000 and up to a maximum of \$5,000,000 of Subscription Receipts (the “Offering”). Each Subscription Receipt will be deemed to be exchanged, without payment of any additional consideration, for one consolidated common share of the Company (“Common Share”), with 15% of each subscriber’s Subscription Receipts issuable upon closing and 85% issuable upon the Second Release Date (as defined). As at May 29, 2008 and after giving effect to the above the Company had 5,306,646 common shares issued and outstanding. The securities issued pursuant to the Offering are subject to a four month hold period. The company will be issuing another 7,341,875 common shares if and when the licenses are issued for 65,000 acres of land in the 13th round. If at least 65,000 acres of land licences are awarded to the company then the total common shares outstanding will be 12,648,521 shares.

Pursuant to the Subscription Receipt Agreement dated September 12, 2007 among the Company, CIBC Mellon Trust Company (“CIBC”) and Wolverton Securities Ltd. (“Wolverton”), the Company upon closing was paid 15% of the gross proceeds of the Offering net of costs in the amount of \$221,676. The remaining 85% of the gross proceeds were deposited into escrow with CIBC, as escrow agent, to be released to the Company when the Company is awarded by the UK Government not less than 65,000 acres of exploration licenses in the 13th Round of Onshore Licensing within the United Kingdom (the “Second Release Date”). The agents so far have been issued agents options totalling 863,700 options to purchase Common shares of the Company at \$0.50 for a period of 18 months from the date of their issue.

RELATED PARTY TRANSACTIONS

During the three months period ended March 31, 2008, the Company paid consulting fees in the amount of \$24,000 to companies controlled by a director and officers of the Company.

These transactions are in the normal course of operations and have been valued in the financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2008 the Company had \$3,684,146 in cash and cash equivalents (\$3,562,410 in Trust with CIBC Mellon Trust which can only be released to the Company if the Company is successful in obtaining at least 65,000 acres of exploration licenses from UK Government) Net financing activities during the three months ending March 31, 2008 resulted into cash inflow of \$913,750 principally from the issue of Subscription Receipts as discussed above. The Company has no long term liability and has a current liability of \$3,530,883 of which \$3,500,938 is for the possible return of 85% of Subscription Receipts issued in the first phase of Private Placement discussed above if the Company is not successful in obtaining the minimum of 65,000 acres in the 13th round onshore licensing discussed above.

EQUITY

Set out below is the Company's equity capital structure as at the dates indicated:

	Shares (#)	Amount (\$)
Common Shares		
Newton Inc. common shares issued and outstanding as at January 31, 2007	1,500,000	150,000
Outstanding common shares of NX Capital, at December 31, 2006	40,118,233	-
NX Capital shares exchanged for Newton Inc. shares (1)	40,102,188	150,000
Total before consolidation of shares	<u>80,220,421</u>	<u>150,000</u>
Consolidation of shares at 20:1	4,011,021	150,000
Brokered private placement in 2007 (2)	913,125	456,562
Share issue costs in 2007 (4)	-	(244,477)
Fair value of broker options, issued in 2007 (3)	-	(148,823)
Balance, December 31, 2007	<u>4,924,146</u>	<u>247,527</u>
Brokered private placement in 2008 (2)	322,500	161,250
Share issue costs in 2008 (4)	-	(94,258)
Fair value of broker options, issued in 2008 (3)	-	(34,265)
Balance, March 31, 2008	<u>5,246,646</u>	<u>280,254</u>

(1)The reverse takeover and amalgamation of NX Capital Corp and Newton Energy Inc. on July 31, 2007, resulted in Newton shareholders being issued one share of the Company for every 26.7347 shares they held in NX Capital. This resulted in the issuance of 40,102,188 shares of the Company.

(2)See private placement for details

(3)The Company issued broker options to the agents for the private placements. The fair value of these options was estimated using the Black-Scholes fair value option pricing model with the following assumptions: expected volatility of 10% and risk-free interest rate of 4.66%, and expected life of 18 months. As a result, \$148,823 the calculated fair value of the broker options was recorded as a reduction to share capital and a corresponding credit to contributed surplus.

(4)Share issue cost covers the fees and other related costs for total Subscription Receipts issued by way of private placement and there will not be further costs if and when the 85% of the money held in trust is converted to common shares. See Private placement for more detail.

ADOPTION OF NEW ACCOUNTING STANDARDS

Sections 3862 and 3863

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections 3862 (Financial Instruments – Disclosure) and 3863 (Financial Instruments – Presentation), which replace CICA Handbook section 3861.

Accounting Standards Section 3862 “Financial Instruments – Disclosures” requires disclosures in the financial statements that will enable users to evaluate: the significance of financial instruments for a company’s financial position and performance; and the nature and extent of risks arising from financial instruments to which a company is exposed during the period and at the balance sheet date, and how a company manages those risks. The Company’s financial instruments and financial instruments disclosure are presented in note 6.

The initial adoption of Section 3862 and 3863 had no impact on the Company’s consolidated results or financial position.

Section 1535

Effective January 1, 2008, the Company adopted CICA Handbook new Section 1535 (Capital Disclosures).

Accounting Standards Section 1535 requires that an entity disclose information that enables users of its financial statements to evaluate an entity’s objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. Disclosure for Section 1535 is provided in note 7.

The initial adoption of Section 1535 had no impact on the Company’s consolidated results or financial position.

CASH IN TRUST

The Company has raised \$4,118,750 financing through the issuance of 8,237,500 Subscription Receipts at a price of \$.50 per Subscription Receipt. Each Subscription Receipt is to be exchanged for one common share of the Company, with 15% issuable upon closing and 85% issuable upon the second release date. The Company, upon closing, received 15% of the gross proceeds and 85% was deposited into CIBC Mellon Trust Company escrow account and is invested in Government of Canada Treasury Bills maturing on June 12, 2008. This amount will be released on the second release date, being the date the Company is awarded by the U.K.’s Department of Business, Enterprise and Regulatory Reform (formerly Department of Trade and Industry) not less than 65,000 acres of exploration licenses (the “Licenses”). In the event that the Company does not obtain the Licenses prior to September 12, 2008, the escrowed Subscription Receipts will be returned to the subscribers.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has established disclosure controls and procedures for the preparation of financial and other reports. The Chief Executive Officer and the Chief Financial Officer have concluded, based upon their evaluation, that the design and operation of these disclosure controls and procedures are adequate and effective in providing reasonable assurance that material information related to the Company, is made known to them by employees or third party consultants working for the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the disclosure controls and procedures will provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The design of the internal control over financial reporting was assessed as of December 31, 2007. During this process, management identified certain material weaknesses in internal controls over financial reporting which are as follows:

- Due to the limited number of staff of Newton, it is not possible to achieve a proper segregation of duties; and
- Due to the limited number of staff, Newton does not have technical accounting expertise and knowledge to address all complex and non-routine financial transactions that may arise.

These weaknesses in Newton's internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reporting by segregating duties as much as possible under the circumstances. In addition, outside third party consulting expertise is utilized to assist in dealing with complex accounting and technical issues that arise during preparation of quarterly and annual financial statements. In spite of management's best efforts, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement. No further material weaknesses other than those described above have been identified.

RISKS AND UNCERTAINTIES

The Company's business is subject to risks encountered in the oil and gas industry. The risks and uncertainties below are not the only issues facing the Company. Additional risks and uncertainties not presently known to Newton or that the Company currently considers immaterial may also impair the business and operations of Newton. If any of the following risks actually

occur, the Company's business may be harmed and the financial condition and results of operations may suffer significantly.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by the Company will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling is unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. The long-term commercial success of the Company depends on its ability to find, acquire, and develop and commercial produce oil and natural gas reserves. No assurance can be give that the Company will be able to locate additional drilling prospects. Substantial amounts may be expended on properties where reserves have yet to be proven.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a will does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological or mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines or reservoirs, blow-outs, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Insurance

The Company's involvement in the exploration for and development of oil and gas properties may result in the Company becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although the Company will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not

fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. In addition to establishing markets for its oil and natural gas, the Company must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by the Company will be affected by numerous factors beyond its control. The Company will be affected by the difference between the price paid by refiners for light quality oil and the grades of oil produced by the Company. The Company has a limited direct experience in the marketing of oil and natural gas.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to government and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results, operations or prospects.

Reliance on Operators

The Company may not be the operator of certain oil and gas properties in which it acquires an interest. To the extent the Company is not the operator of its oil and gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators.

Corporate Matters

Certain of the directors and officers of the Company may also be directors and officers of other oil and gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the ABCA.

Permits and Licenses

The operations of the Company require it be granted at least 65,000 acres of exploration licenses by the UK Government and permits from various other governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development it has planned.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities.

SUMMARY FINANCIAL RESULTS

	Three Months Ended March 31, 2008	Three Months Ended April 30, 2007
Revenue	-	-
Net loss	\$80,271	\$39,525
Net loss per share	\$0.02	\$0.02

SELECTED BALANCE SHEET ITEMS

	March 31, 2008	December 31, 2007
Current Assets ¹	\$3,684,146	\$2,786,680
Current Liability ²	\$3,530,883	\$2,620,325
Shareholders' Equity	\$153,263	\$166,335

^{1.} Current Assets include \$3,562,410 cash in trust with CIBC Mellon Trust invested in short term Government of Canada Treasury Bill.

^{2.} Current Liabilities include \$3,500,938 Escrowed Subscription Receipts(See Private Placement)