NEWPORT EXPLORATION LTD.

FINANCIAL STATEMENTS

JANUARY 31, 2006
(unaudited – prepared by management)

NEWPORT EXPLORATION LTD.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

NEWPORT EXPLORATION LTD.
INTERIM BALANCE SHEETS
AS AT JANUARY 31
(unaudited - prepared by management)

	Jan. 31, 2006	Jul. 31, 2005
ASSETS		
Current		
Cash	$ 26,157	$ 52,846
Term deposits	882,690	1,536,162
Marketable securities (Note 3)	6,609	10,518
Receivables	84,926	50,444
Prepaids	11,662	27,137
	1,012,044	1,677,107
Equipment (Note 4)	45,220	56,139
Mineral properties (Note 5)	878,374	542,086
Deposit	9,264	9,264
	$ 1,944,902	$ 2,284,596
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 15,288	$ 207,800
	15,288	207,800
Shareholders' equity		
Capital stock (Note 7)	34,383,271	34,323,271
Contributed surplus (Note 7)	181,596	181,596
Deficit	(32,635,253)	(32,428,071)
	1,929,614	2,076,796
	$ 1,944,902	$ 2,284,596

Nature and continuance of operations (Note 1)
Commitments (Note 13)

On behalf of the Board:

"Ian T. Rozier" Director "Barbara E. Dunfield" Director

The accompanying notes are an integral part of these interim financial statements.

NEWPORT EXPLORATION LTD.
INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
(unaudited – prepared by management)

	Three Months Ended Jan. 31, 2006	Three Months Ended Jan. 31, 2005	Six Months Ended Jan. 31, 2006	Six Months Ended Jan. 31, 2005
EXPENSES				
Administrative services	$ 7,500	$ 7,500	$ 15,000	$ 15,000
Amortization	6,341	6,920	10,919	13,798
Automobile	3,995	-	7,523	-
Consulting	40,787	22,760	82,532	43,400
Directors' fees	8,333	-	8,333	-
Management fees	22,500	9,000	43,500	18,000
Office and miscellaneous	230	11,763	5,075	26,295
Printing	3,987	4,832	3,987	4,832
Professional fees	15,734	1,033	15,734	3,433
Property Investigation costs	11,799	-	11,799	-
Regulatory fees	4,187	9,139	6,069	10,207
Rent	12,000	6,000	24,000	12,000
Travel and related costs	1,207	1,324	5,392	2,432
Loss before other items	(138,600)	(80,271)	(239,863)	(149,397)
OTHER ITEMS				
Other income	-	-	-	3,588
Petroleum sales (Note 6)	13,274	-	13,274	-
Interest income	6,743	11,348	13,428	22,363
Foreign exchange	8,852	(9,190)	9,888	(9,190)
Write down of marketable securities	(3,909)	-	(3,909)	-
	24,960	2,158	32,681	16,761
Loss for the period	(113,640)	(78,113)	(207,182)	(132,636)
Deficit, beginning of period	(32,521,613)	(32,002,383)	(32,428,071)	(31,947,860)
Deficit, end of period	$(32,635,253)	$(32,080,496)	$ (32,635,253)	$ (32,080,496)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding	14,977,874	14,677,874	14,927,331	14,652,602

The accompanying notes are an integral part of these interim financial statements.

NEWPORT EXPLORATION LTD.
INTERIM STATEMENTS OF CASH FLOWS
(unaudited – prepared by management)

	Three Months Ended Jan. 31, 2006	Three Months Ended Jan. 31, 2005	Six Months Ended Jan. 31, 2006	Six Months Ended Jan. 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (113,640)	$ (78,113)	$ (207,182)	$ (132,636)
Items not affecting cash:				
Amortization	6,341	6,920	10,919	13,798
Write-down of marketable securities	3,909	-	3,909	-
Changes in non-cash working capital items:				
Increase in receivables	(15,435)	45	(34,482)	(3,448)
(Increase) decrease in prepaids	(993)	104,905	15,475	90,557
Increase (decrease) in accounts payable and accrued liabilities	(10,844)	(51,777)	(192,512)	19,716
Net cash used in operating activities	(130,662)	(18,020)	(403,873)	(12,013)
CASH FLOWS FROM INVESTING ACTIVITIES				
Leasehold improvements	-	(10,145)	-	(10,145)
Term deposits	128,933	(10,886)	653,472	(21,653)
Mineral properties	-	-	(60,000)	(60,000)
Deferred exploration costs	(16,324)	(65,746)	(216,288)	(173,075)
Net cash provided by (used in) investing activities	112,609	(86,777)	377,184	(264,873)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of capital lease obligations	-	(2,490)	-	(5,200)
Net cash used in financing activities	-	(2,490)	-	(5,200)
Decrease in cash during the period	(18,053)	(107,287)	(26,689)	(282,086)
Cash, beginning of period	44,210	189,236	52,846	364,035
Cash, end of period	26,157	81,949	$ 26,157	$ 81,949

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Newport Exploration Ltd. (the "Company") is a Canadian company incorporated under the Business Corporation Act of British Columbia. The Company is primarily engaged in the acquisition and exploration of resource properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

	Jan. 31, 2006	Jul 31, 2005
Working capital	$ 996,756	$ 1,469,307
Deficit	(32,635,253)	(32,428,071)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial information does not include all of the disclosure required by generally accepted accounting principles for annual financial statements. In the opinion of management the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the six-month period ended January 31, 2006 are not necessarily indicative of the results that may be expected for the year ending July 31, 2006. These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and follow the same accounting policies as the annual financial statements of the Company except as noted below. Accordingly, these financial statements should be read in conjunction with the 2005 annual financial statements and notes thereto.

3. MARKETABLE SECURITIES

Marketable securities are comprised of the following:

	Jan. 31, 2006	Jul 31, 2005
Cost	$ 22,542	$ 22,542
Market value	$ 6,609	$ 10,518

During the six-months ended January 31, 2006, marketable securities were written-down by $3,909 (July 31, 2005 - $3,457) to reflect market value.

4. EQUIPMENT

	Jan. 31, 2006			Jul 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 37,067	$ 30,555	$ 6,512	$ 37,067	$ 29,406	$ 7,661
Furniture and fixtures	21,758	16,365	5,393	21,758	15,413	6,345
Leasehold improvements	95,671	72,501	33,315	105,816	63,683	42,133
	$ 164,641	$ 119,421	$ 45,220	$ 164,641	$ 108,502	$ 56,139

5. MINERAL PROPERTIES

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

	Jan. 31, 2006	Jul 31, 2005
	Mulga Tank Nickel Project, Australia	Mulga Tank Nickel Project, Australia
Acquisition costs		
Balance, beginning of period	$ 78,000	$ -
Acquisition costs	120,000	78,000
Balance, end of period	198,000	78,000
Deferred exploration costs		
Balance, beginning of period	464,086	4,912
Consulting	17,961	44,406
Claim costs	1,140	-
Drilling	115,827	87,602
Earth moving	-	10,887
Field administration	25,344	10,309
Field supplies	334	21,469
Geochemistry	-	7,768
Geophysics	-	68,191
Project management fees	17,821	97,085
Technical consulting	33,632	101,546
Travel	4,229	9,911
Balance, end of period	680,374	464,086
Total	$ 878,374	$ 542,086

5. MINERAL PROPERTIES (cont'd…)

Mulga Tank Nickel Project, Australia

During the year ended July 31, 2004, the Company entered into an agreement to acquire an 80% interest in an exploration license and a 75% interest in an application exploration license, collectively known as the Mulga Tank Nickel Project ("Mulga Tank") located in Western Australia. As at January 31, 2006, the Company has paid $120,000 and issued 450,000 common shares with a value of $78,000. To acquire its interest, the Company is required:

i) On or before September 1, 2006, pay $90,000, issue 450,000 common shares and incur additional expenditures of $500,000.

ii) On or before September 1, 2007, pay $150,000, issue 600,000 common shares and incur additional expenditures of $750,000.

iii) On or before September 1, 2008, incur additional expenditures of $1,000,000.

Upon completion of a feasibility study, the Company will be required to pay $240,000 and issue 750,000 common shares. Upon commencement of commercial production, the Company will be required to issue an additional 1,000,000 common shares.

6. PETROLEUM SALES

Under the terms of an agreement over the sale of CVL Resources (Barbados) Ltd. (formerly a wholly owned subsidiary of the Company), the company retained a 2.5 % royalty for any hydrocarbons discovered on the following petroleum exploration permits in Australia; PEL's 91/106/107, ATP's 539P/549(West)/549 (Cypress)/552 and EPP27. Oil and gas production commenced in November 2005.

7. CAPITAL STOCK

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
100,000,000 common shares without par value			
As at July 31, 2004	14,527,874	$ 34,305,271	$ 59,443
Acquisition of mineral property	150,000	18,000	-
Stock-based compensation	-	-	122,153
As at July 31, 2005	14,677,874	34,323,271	181,596
Acquisition of mineral property	300,000	60,000	-
As at January 31, 2006	14,977,874	$ 34,383,271	$ 181,596

8. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price, minimum price or a discounted price, of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

At January 31, 2006, the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,450,000	$ 0.16	February 21, 2007

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2004	200,000	0.35
Options granted	1,450,000	0.16
Options expired	(200,000)	0.35
Balance, July 31 and January 31, 2006	1,450,000	$ 0.16
Number of options currently exercisable	1,450,000	$ 0.16

Stock-based compensation

During the year ended July 31, 2005, the Company granted 1,450,000 stock options resulting in stock-based compensation expense of $122,153 using the Black-Scholes option pricing model which was also recorded as contributed surplus on the balance sheet.

8. STOCK OPTIONS AND WARRANTS (cont'd…)

Warrants

At January 31, 2006, the Company had no outstanding share purchase warrants. During the current period, 5,841,400 share purchase warrants expired unexercised.

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $68,000 (2005 - $36,000) to companies controlled by two directors.

b) Paid or accrued management fees of $43,500 (2005 - $18,000) to a company controlled by a director.

c) Paid or accrued rent of $24,000 (2005 - $12,000) to a company controlled by a director.

d) Paid or accrued automobile costs of $7,523 (2005 - $Nil) under a vehicle operating lease for use by directors and officers.

Included in prepaids at January 31, 2006 is $Nil (2005 - $9,000) for consulting fees, management fees and rent to companies controlled by directors of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2006		2005
Cash paid during the period for interest	$	1,001	$	2,075

The significant non-cash transaction for the six-months ended January 31, 2006 consisted of:

a) issuing 300,000 common shares at a value of $60,000 for the acquisition of a mineral property (Note 5).

The significant non-cash transaction for the six-months ended January 31, 2005 consisted of:

a) issuing 150,000 common shares at a value of $18,000 for the acquisition of a mineral property (Note 5).

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, term deposits, marketable securities, receivables, accounts payable and accrued liabilities and obligation under capital lease. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Currency Risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

12. SEGMENTED INFORMATION

The Company has one reportable operating segment, the acquisition and exploration of mineral properties. Geographical information is as follows:

		Canada		Australia		Total
January 31, 2006						
Equipment	$	45,220	$	-	$	45,220
Mineral properties		-		878,374		878,374
	$	45,220	$	878,374	$	923,594

12. SEGMENTED INFORMATION (cont'd…)

	Canada	Australia	Total
July 31, 2005			
Equipment	$ 56,139	$ -	$ 56,139
Mineral properties	-	542,086	542,086
	$ 56,139	$ 542,086	$ 598,225

13. COMMITMENTS

The Company has obligations under operating leases for its premises to a company controlled by a director, and for a vehicle. The annual lease commitments under these leases are as follows:

2006	$ 50,414
2007	48,000
	$ 98,414