NEWPORT EXPLORATION LTD.

FINANCIAL STATEMENTS

JULY 31, 2009

AUDITORS' REPORT

To the Shareholders of
Newport Exploration Ltd.

We have audited the balance sheets of Newport Exploration Ltd. as at July 31, 2009 and 2008 and the statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountant

November 5, 2009

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NEWPORT EXPLORATION LTD.
BALANCE SHEETS
AS AT JULY 31

	2009	2008
ASSETS		
Current		
Cash	$ 7,437,997	$ 7,740,142
Receivables	11,317	36,999
	7,449,314	7,777,141
Equipment (Note 4)	6,026	8,081
	$ 7,455,340	$ 7,785,222
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 27,428	$ 39,286
Shareholders' equity		
Capital stock (Note 7)	42,343,096	42,343,096
Contributed surplus (Note 7)	1,173,038	973,346
Deficit	(36,088,222)	(35,570,506)
	7,427,912	7,745,936
	$ 7,455,340	$ 7,785,222

Nature and continuance of operations (Note 1)
Commitments (Note 14)

On behalf of the Board:

"Ian Rozier" Director "Barbara Dunfield" Director

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

NEWPORT EXPLORATION LTD.
STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
YEAR ENDED JULY 31

	2009	2008
EXPENSES		
Administrative services	$ 15,000	$ 16,000
Amortization	2,055	2,808
Consulting	205,000	208,755
Director's fees	26,667	23,333
Foreign exchange (gain) loss	220	(5,937)
Management fees	120,000	116,000
Office and miscellaneous	11,938	10,757
Professional fees	38,604	66,604
Property investigation costs	11,815	12,518
Regulatory and transfer agent fees	16,343	19,865
Rent	66,000	62,000
Shareholder communications	3,399	-
Stock-based compensation (Note 8)	199,692	-
Travel and related costs	9,625	16,707
Loss before other items	(726,358)	(549,410)
OTHER ITEMS		
Interest income	197,900	327,514
Petroleum royalty (Note 6)	10,742	33,990
Realized gain on sale of marketable securities (Note 3)	-	1,971
Reversal of unrealized gain previously recognized	-	(1,587)
Write-off of mineral properties (Note 5)	-	(1,469,585)
	208,642	(1,107,697)
Loss and comprehensive loss for the year	(517,716)	(1,657,107)
Deficit, beginning of year	(35,570,506)	(33,914,986)
Fair value adjustment for financial instruments (Note 2)	-	1,587
Deficit, end of year	$(36,088,222)	$(35,570,506)
Basic and diluted loss per common share	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding	54,922,874	54,733,833

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

NEWPORT EXPLORATION LTD.
STATEMENTS OF CASH FLOWS
YEAR ENDED JULY 31

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (517,716)	$ (1,657,107)
Items not affecting cash:		
Amortization	2,055	2,808
Stock-based compensation	199,692	-
Gain on sale of marketable securities	-	(384)
Write-off of mineral properties	-	1,469,585
Reversal of asset retirement obligation	-	(4,540)
Changes in non-cash working capital items:		
Decrease in receivables	25,682	17,250
Decrease in accounts payable and accrued liabilities	(11,858)	(14,926)
Net cash used in operating activities	(302,145)	(187,314)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term deposits	-	4,261,847
Deferred exploration costs	-	(216,142)
Exploration advances	-	13,490
Proceeds on sale of marketable securities	-	8,580
Net cash provided by investing activities	-	4,067,775
CASH FLOWS FROM FINANCING ACTIVITY		
Capital stock issued	-	150,000
Net cash provided by financing activity	-	150,000
Change in cash during the year	(302,145)	4,030,461
Cash, beginning of year	7,740,142	3,709,681
Cash, end of year	$ 7,437,997	$ 7,740,142

Supplemental disclosure with respect to cash flows (Note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Newport Exploration Ltd. (the "Company") is a Canadian company incorporated under the Business Corporations Act of British Columbia. The Company is primarily engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company has all of its assets located in Canada and is currently seeking opportunities in the natural resource sector.

These financial statements are 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. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. Although the Company presently has sufficient financial resources to undertake its currently planned acquisition program and 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. These financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new accounting standards

Effective August 1, 2008, the Company adopted the following new standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

CICA Handbook Section 1535 - Capital Disclosures
This section establishes standards for the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The additional disclosures required by CICA 1535 are included in Note 15.

CICA Handbook Section 3862 and 3863 - Financial Instruments
These two standards replace the current standard, "Financial Instruments – Disclosure and Presentation" (Section 3861), revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how those risks are managed. The additional disclosures required by these standards are included in Note 11.

CICA Handbook Section 1400 - General Standards of Financial Statements
This section requires management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future which is at least, but not limited to, twelve months from the balance sheet date. The disclosure required by CICA 1400 is included in Note 1 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Adoption of new accounting standards (cont'd…)

EIC 172 - Income Statement Presentation of Tax Loss Carryforwards
Effective August 1, 2008, the Company adopted EIC-172, "Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain in Other Comprehensive Income". This abstract provides guidance on whether the tax benefit from the recognition of previously unrecognized tax loss carryforwards consequent to the recording of unrealized gains in other comprehensive income, such as unrealized gains on available-for-sale financial assets, should be recognized in net income or in other comprehensive income. The abstract should be applied retrospectively, with restatement of prior periods from January 1, 2007, the date of adoption of CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". The adoption of this standard had no impact on the financial statements.

EIC 173 - Credit risk and fair value of financial assets and financial liabilities
In January 2009, the CICA approved EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated this new standard and determined that adoption of these new requirements had no impact on the Company's financial statements.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Significant estimates include: amortization, stock-based compensation and future income taxes. Actual results could differ from these estimates.

Financial instruments

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading financial instruments, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables and accounts payable and accrued liabilities as other liabilities.

As a result of the application of Section 3855, the Company's deficit position as at August 1, 2007 was reduced by $1,587 to reflect the fair value of marketable securities as at July 31, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equipment

Equipment is carried at cost. Amortization is recorded at the following annual rates:

Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligation

Asset retirement obligation ("ARO") relates to expected reclamation and closure activities. An ARO is recognized initially at fair value with a corresponding increase in related assets. The ARO is accreted to full value over time through periodic accretion charges recorded to operations using the Company's credit adjusted risk free rate. In subsequent periods, the Company adjusts the carrying amounts of the ARO and the related asset for changes in estimates of the amount or timing of underlying future cash flows.

Royalty income

Royalty income is recognized upon sale by the licensee of royalty-bearing products, when realization is considered probable, and collection is reasonably assured.

Foreign currency translation

The monetary assets and liabilities of the Company denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange in effect at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those on the transaction date. Exchange gains or losses arising on translation are included in the statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation. The Company estimates the fair value at the date of grant using the Black-Scholes option pricing model and recognizes the amount over the period of vesting. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Recent accounting pronouncements

CICA Handbook Section 3064 – "Goodwill and other intangibles assets"
This new section replaces Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and development costs". It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Management does not expect that the adoption of this new standard will have a material impact on the Company's financial statements. The Company will adopt the new standard for its fiscal year beginning August 1, 2009.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent accounting pronouncements (cont'd…)

International Financial Reporting Standards ("IFRS")
In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be August 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended July 31, 2011. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

Business Combinations
In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently.

3. MARKETABLE SECURITIES

As at July 31, 2009, there were no marketable securities held by the Company. During the year ended July 31, 2008, the marketable securities were sold for proceeds of $8,580.

4. EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 41,079	$ 36,795	$ 4,284	$ 41,079	$ 35,378	$ 5,701
Furniture and fixtures	21,758	20,016	1,742	21,758	19,378	2,380
	$ 62,837	$ 56,811	$ 6,026	$ 62,837	$ 54,756	$ 8,081

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.

	Mulga Tank Nickel Project, Australia 2009	Mulga Tank Nickel Project, Australia 2008
Acquisition costs		
Balance, beginning and end of year	$ -	$ 494,854
Deferred exploration costs		
Balance, beginning of year	-	924,074
Additions:		
Asset retirement obligation	-	(4,540)
Consulting	-	28,645
Field administration	-	5,951
Technical consulting	-	20,601
	-	50,657
Balance, end of year	-	974,731
Write-off of mineral properties	-	(1,469,585)
Total	$ -	$ -

Mulga Tank Nickel Project, Australia

The Company held the right 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. To July 31, 2008, the Company paid or accrued $271,729 and issued 900,000 common shares with a value of $223,125 for acquisition costs and incurred $974,731 in deferred exploration costs. During the year ended July 31, 2008, management elected to withdraw from Mulga Tank and consequently all related costs associated with these properties were written-off to operations.

6. PETROLEUM ROYALTY

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 certain petroleum exploration permits in Australia. Included in receivables at July 31, 2009 is $1,520 (2008 - $11,561) for the Company's royalty.

7. CAPITAL STOCK

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
As at July 31, 2007	53,922,874	$ 42,193,096	$ 973,346
Exercise of warrants	1,000,000	150,000	-
As at July 31, 2008	54,922,874	42,343,096	973,346
Stock-based compensation	-	-	199,692
As at July 31, 2009	54,922,874	$ 42,343,096	$ 1,173,038

During the year ended July 31, 2008, the Company issued 1,000,000 common shares on exercise of warrants for proceeds of $150,000.

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 five years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

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

Stock Options (cont'd…)

At July 31, 2009, the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
5,450,000	$0.10	December 18, 2013

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

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2007	3,660,000	$ 0.30
Options cancelled	(320,000)	0.30
Options expired	(45,000)	0.16
Balance, July 31, 2008	3,295,000	0.30
Options cancelled	(45,000)	0.30
Options granted	2,200,000	0.10
Balance, July 31, 2009	5,450,000	$ 0.10
Number of options currently exercisable	5,450,000	$ 0.10

Stock-based compensation

On December 10, 2008, the Company re-priced and extended the term for 3,250,000 stock options previously granted that had an exercise price of $0.30 per common share, expiring on March 5, 2010, to have an exercise price of $0.10 per share expiring December 18, 2013.

During the year ended July 31, 2009, the Company granted 2,200,000 (2008 – Nil) stock options with a total estimated fair value of $87,331 (2008 - $Nil) and re-priced 3,250,000 (2008 – nil) stock options with a total estimated fair value incremental increase of $112,361 (2008 – $Nil) using the Black-Scholes option pricing model. The total stock-based compensation was credited to contributed surplus. The fair value per option granted was $0.04 (2008 - $Nil) and per re-priced option was $0.04 (2008 - $Nil). All options vested at time of grant.

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

Stock Options (cont'd…)

The following assumptions were used for the Black-Scholes option pricing model valuation of stock options granted:

	2009	2008
Risk-free interest rate	1.84%	-
Expected life of options	5 years	-
Annualized volatility	110%	-
Dividend yield	0%	-

Warrants

At July 31, 2009, the Company had no outstanding share purchase warrants.

As at July 31, 2009, Nil (2008-1,046,500) compensation options were outstanding. Each option was exercisable into one unit for a two year period at $0.35 per unit. Each unit consisted of one common and one share purchase warrant exercisable at $0.50 per share until July 24, 2009. These compensation options expired unexercised.

Warrant transactions are summarized as follows:

	Number of Warrants	Exercise Price
Balance, July 31, 2007	35,125,000	$ 0.31
Warrants exercised	(1,000,000)	0.15
Balance, July 31, 2008	34,125,000	0.32
Warrants expired	(34,125,000)	0.32
Balance, July 31, 2009	-	$ -

9. RELATED PARTY TRANSACTIONS

During the year ended July 31, 2009, the Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $180,000 (2008 - $174,000) to a company controlled by a director.

b) Paid or accrued management fees of $120,000 (2008 - $116,000) to company controlled by a director.

c) Paid or accrued rent of $66,000 (2008 - $62,000) to a company controlled by a director.

9. RELATED PARTY TRANSACTIONS (cont'd…)

d) Paid or accrued directors' fees of $26,667 (2008-$23,333) to two directors of the Company.

e) Paid or accrued professional fees of $3,407 (2008-$9,884) to a legal firm where an officer of the Company is a partner.

f) Paid or accrued consulting fees of $24,000 (2008-$24,000) to a company controlled by the spouse of a director.

Included in receivables is $2,575 (2008-$Nil) owed by a company with common directors. Included in accounts payable and accrued liabilities is $3,333 (2008-$6,780) owed to directors and to a legal firm where an officer of the Company is a partner.

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

	2009	2008
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

There were no significant non-cash transactions for the years ended July 31, 2008 and 2009.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

(a) Credit Risk

The Company's cash is mainly held at large Canadian financial institutions and as at July 31, 2009 is mainly held in interest bearing accounts. The Company's receivables are mainly GST recoverable from the Canadian government and royalty receivable. The maximum exposure to credit risk is the equivalent of the cash and receivables on the balance sheet of the Company.

11. FINANCIAL INSTRUMENTS (cont'd...)

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital resources as outlined in Note 15.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest rate risk

The Company has cash balances, which are deposited at Canadian financial institutions. As of July 31, 2009, the Company did not have any investments in short-term deposits.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at July 31, 2009, the Company did not have any accounts in foreign currencies.

(iii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. INCOME TAXES

a) A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2009	2008
Loss before income taxes	$ (517,716)	$ (1,657,107)
Expected tax recovery	$ (166,746)	$ (538,692)
Non-deductible items	35,269	439,910
Unrecognized benefits of non-capital losses	131,477	98,782
Total income taxes	$ -	$ -

12. INCOME TAXES (cont'd...)

b) Details of future income tax assets are as follows:

	2009	2008
Future tax assets:		
Equipment	$ 63,000	$ 65,000
Resource deductions	679,000	518,000
Share issuance costs	46,000	72,000
Non-capital loss carryforward	635,000	652,000
Capital loss carryforward	3,071,000	3,183,000
	4,494,000	4,490,000
Valuation allowance	(4,494,000)	(4,490,000)
Net future tax assets	$ -	$ -

The Company has non-capital losses of approximately $2,540,000 which may be carried forward and applied against taxable income in future years. These losses, if unutilized, will expire through to 2029. The Company has capital losses of approximately $24,570,000 to offset future capital gains. Subject to certain restrictions, the Company has further resource development and exploration expenditures totalling approximately $2,720,000 available to reduce taxable income of future years. The future income tax benefits of these losses, resource deductions and other tax assets have not been reflected in these financial statements and have been offset by a valuation allowance.

13. SEGMENTED INFORMATION

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

	2009	2008
Capital assets		
Canada	$ 6,026	$ 8,081

14. COMMITMENTS

a) The Company leases office premises under an operating lease with a company controlled by a director. During the year ended July 31, 2009, the Company extended the term of its operating lease for an additional three year term, to expire in March 2012. The landlord has the right to increase the annual base rent by 10% on April 1, 2010 and 2011. The lease provides for basic lease payments as follows:

2010	$ 66,000
2011	66,000
2012	44,000
	$ 176,000

14. COMMITMENTS (cont'd...)

b) The Company entered into management and consulting contracts with companies having directors in common. The Company has agreed to pay the companies a combined total of $25,000 per month. These contracts remain in force on a continuous basis. The contracts can be terminated by the Company by providing 90 days written notice. If termination of services is without cause, the Company will be obligated to pay 36 months of services to one director's company and 24 months to the other director's company.

15. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity attributable to common shareholders, comprising of issued capital, contributed surplus, retained earnings and accumulated other comprehensive income. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return, and (iii) maintain liquidity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank-sponsored instruments. This strategy is unchanged from 2008.

The Company is not subject to externally imposed capital restrictions.

NEWPORT EXPLORATION LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended July 31, 2009

The following discussion and analysis of financial results, prepared as of November 12, 2009, should be read in conjunction with the audited financial statements of Newport Exploration Ltd. ("Newport" or the "Company") for the year ended July 31, 2009, together with the related notes thereto. Those audited financial statements are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

The discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

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

Description of Business

Newport Exploration Ltd. is a natural resource company engaged in the acquisition and exploration of mineral properties. The Company's head office is in Vancouver, British Columbia. The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan and trades on the TSX Venture Exchange under the symbol NWX.

Overview

The Company continues to evaluate potential mineral property acquisitions, considering projects with the emphasis on acquiring operating projects or development projects, as opposed to exploration targets. The Company, which has over $7 million in cash, is well positioned to aggressively pursue target opportunities. The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities and it is management's opinion that the Company is not exposed to any significant credit risks arising from these financial instruments.

Results of Operations

During the year ended July 31, 2009, the Company incurred a loss of $517,716 compared to a loss of $1,657,107 for the year ended July 31, 2008. The significant changes during fiscal 2009 compared to fiscal 2008 are as follows:

- Director's fees increased to $26,667 during the year ended July 31, 2009 compared to $23,333 for the year ended July 31, 2008. In June of 2008 it was resolved that Merfyn Roberts would be compensated $5,000 in directors' fees per quarter. Whereas, Douglas Hyndman ceased receiving $5,000 per quarter director fees as of November 2008.

- During the year ended July 31, 2009, the Company incurred management fees of $120,000 to a director of the Company as compared to $116,000 during the year ended July 31, 2008. The increase was due to an increase in the monthly management fee to $10,000 per month from $8,000 per month initiated in October 2007.

- During the year ended July 31, 2009, the Company incurred professional fees of $38,604, a decrease from the $66,604 incurred during the year ended July 31, 2008 as a result of decreased corporate activities during the current year.

- During the year ended July 31, 2009, the Company incurred rent expense of $66,000 as compared to $62,000 incurred during the year ended July 31, 2008. This increase was due to a 10% per annum rent increase in April 2008 at the Company's head office.

- Shareholder communication costs increased to $3,399 during the year ended July 31, 2009 from $Nil incurred during the year ended July 31, 2008, as a result of the Standard and Poors contract entered into by the Company.

- Stock-based compensation expense of $199,692 was recorded during the year ended July 31, 2009 an increase from $Nil during the year ended July 31, 2008. This expense relates to the granting and re-pricing of 5,450,000 incentive stock options during fiscal 2009. There were no options granted by the Company during the year ended July 31, 2008.

- Travel and related costs of $9,625 were incurred by management during the year ended July 31, 2009. A decrease from $16,707 during the year ended July 31, 2008 incurred for reviewing prospective projects for the Company.

- The Company earned $10,742 from its retained 2.5% petroleum royalty on certain exploration permits in Australia during the year ended July 31, 2009, a decrease from $33,990 during the year ended July 31, 2008. The royalty income decreased in the current year as a result of continued lower production and lower petroleum prices.

- Interest income of $197,900 was earned during the year ended July 31, 2009 on cash held by the Company. This compares to interest income of $327,514 earned during the year ended July 31, 2008. The decrease during fiscal 2009 was a result of the drop in interest rates and cash used in ongoing operations.

- A write-off of mineral properties to $Nil was recorded during the year ended July 31, 2009 compared to $1,469,585 written-off in the year ended July 31, 2008. The Company withdrew from the Mulga Tank Joint Venture in the prior year and all related expenditures incurred on the Company's Australian mineral properties were written-off to operations.

Fourth Quarter Results

The Company recorded a loss for the three months ended July 31, 2009 of $97,219 compared to a loss of $81,513 for the comparative period ended July 31, 2008. The loss for the three months included operating expenses of $140,360 (2008 - $150,310). The operating expenses were primarily lower in the quarter ended July 31, 2009, than in the comparative quarter due to the decrease in professional fees.

Also, during the fourth quarter of fiscal 2009, the Company earned $605 (2008-$7,199) in petroleum royalty. Lastly, the Company earned $42,536 (2008-$79,538) in interest income.

Exploration Expenditures

During the year ended July 31, 2009, the Company incurred exploration expenditures of $Nil (2008 - $50,657). The expenditures for 2008 were incurred on the Mulga Tank project and primarily related to a drill program that completed at the beginning of the prior fiscal year.

Liquidity and Capital Resources

The Company's working capital position at July 31, 2009 was $7,421,886 as compared to a working capital position of $7,737,885 at July 31, 2008. The decrease in working capital is primarily a result of $524,611 paid or accrued for operating expenses. This amount was offset by $197,900 of interest income earned and a $10,742 petroleum royalty earned. At July 31, 2009, the Company held cash of $7,437,997 (2008-$7,740,142).

As at July 31, 2009, the Company had current assets of $7,449,314 (2008-$7,777,141), total assets of $7,455,340 (2008-$7,785,222) and total liabilities of $27,428 (2008-$39,286). There is no long-term debt.

The principal assets of the Company are cash and equipment. The Company's mineral properties were written off during the year ended July 31, 2008. The Company is actively seeking other development or operating projects.

The Company has sufficient funds on hand to meet its operating expenses for fiscal 2010.

The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

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.

Commitments

a) The Company leases office premises under an operating lease with a company controlled by a director. During the year ended July 31, 2009, the Company extended the term of its operating lease for an additional three year term, to expire in March 2012. The landlord has the right to increase the annual base rent by 10% on April 1, 2010 and 2011. The lease provides for basic lease payments as follows:

2010	$ 66,000
2011	66,000
2012	44,000
	$ 176,000

b) The Company entered into management contracts with companies having directors in common. The Company has agreed to pay the companies a combined total of $25,000 per month. These contracts remain in force on a continuous basis. The contracts can be terminated by the Company by providing 90 days written notice. If termination of services is without cause, the Company will be obligated to pay 36 months of services to one director's company and 24 months to the other director's company.

Annual Financial Information

Year Ended	July 31, 2009	July 31, 2008	July 31, 2007
Financial Results			
Exploration expenditures	$ Nil	$ 50,657	$ 177,144
Loss for the year	517,716	1,657,107	1,118,454
Loss per share – basic and diluted	(0.01)	(0.03)	(0.04)
Financial Position			
Working capital position	$ 7,421,886	$ 7,737,885	$ 7,792,944
Mineral properties	-	-	1,418,928
Total assets	7,455,340	7,785,222	9,490,848
Share capital	42,343,096	42,343,096	42,193,096
Deficit	(36,088,222)	(35,570,506)	(33,914,986)

Quarterly Financial Information

	Three Months Ended July 31, 2009	Three Months Ended Apr 30, 2009	Three Months Ended Jan 31, 2009	Three Months Ended Oct 31, 2008
Total assets	$ 7,455,340	$ 7,531,572	$ 7,633,895	$ 7,725,678
Mineral properties and deferred costs	-	-	-	-
Working capital	7,421,886	7,518,736	7,585,236	7,673,340
Write-off of mineral properties	-	-	-	-
Loss for the period	(97,219)	(67,019)	(288,357)	(65,121)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.00)

	Three Months Ended July 31, 2008	Three Months Ended Apr 30, 2008	Three Months Ended Jan 31, 2008	Three Months Ended Oct 31, 2007
Total assets	$ 7,785,222	$ 7,836,143	$ 9,382,758	$ 9,618,455
Mineral properties and deferred costs	-	-	1,429,938	1,424,337
Working capital	7,737,885	7,817,126	7,905,974	7,923,410
Write-off of mineral properties	-	(1,459,125)	-	-
Loss for the period	(81,513)	(1,548,553)	(12,591)	(14,450)
Loss per share – basic and diluted	(0.00)	(0.03)	(0.00)	(0.00)

Fiscal 2009

During the fourth quarter of fiscal 2009, the Company’s operating expenses again remained consistent with the prior quarter with the exception of an approximate $17,000 increase in professional fees as a result of the year end audit fee accrual and an approximate $10,000 decrease in interest income.

During the third quarter of fiscal 2009, the Company's operating expenses remained consistent with the prior quarter with the exception of the $199,692 stock-based compensation expenses recorded in the prior quarter in connection with a granting and re-pricing of stock options.

During the second quarter of fiscal 2009, the Company granted 2,200,000 incentive stock options at an exercise price of $0.10 per share resulting in a stock-based compensation expense of $199,692. Also, during the second quarter, the Company re-priced 3,250,000 and cancelled 45,000 incentive stock options exercisable at $0.30 per share with an expiry date of March 5, 2010. The re-priced options have a new expiry date of December 18, 2013 and an exercise price of $0.10 per share. Otherwise, overall operating expenses remained consistent with the prior quarter.

During the first quarter of fiscal 2009, operating expenses remained consistent with the prior quarter. Interest income dropped by approximately $20,000 compared to the prior quarter as a result of a drop in interest rates.

Fiscal 2008

During the fourth quarter of fiscal 2008, the Company withdrew from the Mulga Tank Joint Venture resulting in the write-off of related expenditures during the third quarter of $1,459,125 and a further $10,460 of related expenditures written-off in the fourth quarter. Additionally, during the fourth quarter the Company earned $79,538 in interest income and professional fees increased in the fourth quarter as a result of the audit fee accrual for the current year end.

During the third quarter of fiscal 2008, the Company wrote-off all related expenditures totalling $1,459,125 in connection with the Mulga Tank Joint Venture.

During the second quarter of fiscal 2008, the Company's administrative expenditures increased slightly over the first quarter as a result of cost associated with the Company's annual general meeting. Increased travel costs during the second quarter were partially offset by the $118,684 earned in interest income in the second quarter compared to $93,265 earned in the first quarter.

During the first quarter ended October 31, 2007, the Company issued 1,000,000 common shares through the exercise of share purchase warrants for total proceeds of $150,000. Additionally, the Company earned $93,265 in interest income. The $5,409 the Company incurred in deferred exploration on the Mulga Tank project in Australia was the balance of expenditures from the drill program undertaken in July 2007.

Related Party Transactions

During the year ended July 31, 2009, the Company paid or accrued $180,000 (2008 - $174,000) to a company controlled by Ian Rozier, the President and C.E.O. of Newport for consulting fees and paid or accrued $120,000 (2008 - $116,000) for management fees to a company controlled by Barbara Dunfield, director and the C.F.O. of Newport. Additionally, the Company paid or accrued $66,000 (2008 - $62,000) for rent charged by a company controlled by Mr. Rozier. During the year ended July 31, 2009, the Company also paid or accrued $3,407 (2008 - $9,884) for professional fees to Lang Michener, a legal firm where David Cowan, the Company's corporate secretary, is a partner. Also, the Company paid or accrued $26,667 (2008- $23,333) for director's fees to Douglas B. Hyndman and Merfyn Roberts. Lastly, the Company paid or accrued consulting fees of $24,000 (2008-$24,000) to a company controlled by a spouse of a director.

Included in receivables is $2,575 (2008-$Nil) owed by a company with common directors.

Included in accounts payable and accrued liabilities is $3,333 (2008-$6,780) owed to Mr. Hyndman, Mr. Roberts and to Lang Michener.

Significant Accounting Policies

Adoption of new accounting standards

Effective August 1, 2008, the Company adopted the following new standards issued by the Canadian Institute of Chartered Accountants (“CICA”):

CICA Handbook Section 1535 - Capital Disclosures
This section establishes standards for the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The additional disclosures required by CICA 1535 are included in Note 15 to the annual audited financial statements.

CICA Handbook Section 3862 and 3863 - Financial Instruments
These two standards replace the current standard, “Financial Instruments – Disclosure and Presentation” (Section 3861), revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how those risks are managed. The additional disclosures required by these standards are included in Note 11 to the annual audited financial statements.

CICA Handbook Section 1400 - General Standards of Financial Statements
This section requires management to make an assessment of the Company’s ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future which is at least, but not limited to, twelve months from the balance sheet date. The disclosure required by CICA 1400 is included in Note 1 to the annual audited financial statements.

EIC 172 - Income Statement Presentation of Tax Loss Carryforwards
Effective August 1, 2008, the Company adopted EIC-172, “Income Statement Presentation of a Tax Loss Carryforward Recognized Following an Unrealized Gain in Other Comprehensive Income”. This abstract provides guidance on whether the tax benefit from the recognition of previously unrecognized tax loss carryforwards consequent to the recording of unrealized gains in other comprehensive income, such as unrealized gains on available-for-sale financial assets, should be recognized in net income or in other comprehensive income. The abstract should be applied retrospectively, with restatement of prior periods from January 1, 2007, the date of adoption of CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement”. The adoption of this standard had no impact on the annual audited financial statements.

EIC 173 - Credit risk and fair value of financial assets and financial liabilities
In January 2009, the CICA approved EIC-173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities.” This guidance clarified that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated this new standard and determined that adoption of these new requirements had no impact on the Company’s annual audited financial statements.

Recent accounting pronouncements

CICA Handbook Section 3064 – "Goodwill and other intangibles assets"
This new section replaces Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and development costs". It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Management does not expect that the adoption of this new standard will have a material impact on the Company's financial statements. The Company will adopt the new standard for its fiscal year beginning August 1, 2009.

International Financial Reporting Standards ("IFRS")
In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be August 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended July 31, 2011. The impact of the transition to IFRS on the Company's annual audited financial statements has not yet been determined.

Business Combinations
In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently.

Risk, Uncertainties and Outlook

As a company active in the mineral resource acquisition and exploration industry, the Company is exposed to a number of risks, including the financial risks associated with the fact that it has no operating cash flow and must access the capital markets to finance its activities.

There can be no assurances the Company will continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs. In addition to this having an impact on any future wholly owned projects, the Company could find itself in a position at a future time where it is unable to fund its share of costs incurred under joint venture agreements to which it is a party, and its interest in such joint ventures could be reduced or eliminated as a result.

The Company is very reliant upon its existing management, and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.

There is intense competition within the minerals industry to acquire properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the company will be able to execute its exploration programs on its proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, such as the availability of essential supplies and services.

Over the past several years, the prices of commodities have increased substantially, stimulating a rapid growth in exploration expenditures and intensifying the competition for talent and services. These conditions have lead to increased costs and difficulties in scheduling contractors at times that are optimal from the Company's perspective.

The Company's future exploration activities may require permits from various governmental agencies charged with administrating laws and regulations governing exploration, labor standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislation changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of November 12, 2009.

Share Capital

As at November 12, 2009, the Company had 54,922,874 common shares outstanding and the following outstanding options:

Outstanding Options:

Number of Options	Exercise Price	Expiry Date
5,450,000	$0.10	December 18, 2013

There are no outstanding share purchase warrants.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure document provided by the Company, which can be accessed www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward-Looking Information

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirements for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.