

NEWPORT EXPLORATION LTD.

INTERIM FINANCIAL STATEMENTS

JANUARY 31, 2011

(Unaudited – prepared by management)

The accompanying unaudited interim financial statements of Newport Exploration Ltd. for the six months ended January 31, 2011 have been prepared by management and approved by the Board of Directors of the Company. These unaudited interim financial statements have not been reviewed by the Company's external auditors.

NEWPORT EXPLORATION LTD.
INTERIM BALANCE SHEETS

	January 31, 2011	July 31, 2010
	(Unaudited)	
ASSETS		
Current		
Cash	\$ 6,695,576	\$ 6,962,715
Receivables	20,077	13,696
Prepays	<u>2,097</u>	<u>1,008</u>
	6,717,750	6,977,419
Equipment (Note 3)	<u>3,773</u>	<u>4,410</u>
	<u>\$ 6,721,523</u>	<u>\$ 6,981,829</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ <u>7,399</u>	\$ <u>46,147</u>
Shareholders' equity		
Capital stock (Note 6)	42,343,096	42,343,096
Contributed surplus (Note 6)	1,173,038	1,173,038
Deficit	<u>(36,802,010)</u>	<u>(36,580,452)</u>
	<u>6,714,124</u>	<u>6,935,682</u>
	<u>\$ 6,721,523</u>	<u>\$ 6,981,829</u>

Nature and continuance of operations (Note 1)
Commitments (Note 11)

On behalf of the Board:

 "Ian Rozier" Director "Barbara Dunfield" Director

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

NEWPORT EXPLORATION LTD.
INTERIM STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT
(Unaudited – prepared by management)

	Three Months Ended January 31, 2011	Three Months Ended January 31, 2010	Six Months Ended January 31, 2011	Six Months Ended January 31, 2010
EXPENSES				
Administrative services	\$ 3,750	\$ 3,750	\$ 7,500	\$ 7,500
Amortization	306	418	637	870
Consulting (Note 8)	53,500	53,000	104,500	104,000
Director fees (Note 8)	5,000	5,000	10,000	10,000
Management fees (Note 8)	30,000	30,000	60,000	60,000
Office and miscellaneous	2,621	4,707	5,276	10,980
Professional fees (Note 8)	9,985	7,848	14,055	14,093
Property investigation costs	-	-	14,890	2,173
Regulatory and transfer agent fees	8,122	7,159	8,905	7,948
Rent (Note 8)	16,500	16,500	33,000	33,000
Shareholder communications	1,210	1,424	2,577	3,177
Travel and related costs	-	6,603	-	6,603
Loss before other item	(130,994)	(136,409)	(261,340)	(260,344)
OTHER ITEM				
Interest income	21,529	12,222	39,782	22,465
Loss and comprehensive loss for the period	(109,465)	(124,187)	(221,558)	(237,879)
Deficit, beginning of period	(36,692,545)	(36,201,914)	(36,580,452)	(36,088,222)
Deficit, end of period	\$(36,802,010)	\$(36,326,101)	\$(36,802,010)	\$(36,326,101)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	54,922,874	54,922,874	54,922,874	54,922,874

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 January 31, 2011	Three Months Ended January 31, 2010	Six Months Ended January 31, 2011	Six Months Ended January 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (109,465)	\$ (124,187)	\$ (221,558)	\$ (237,879)
Item not affecting cash:				
Amortization	306	418	637	870
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(6,944)	1,210	(6,381)	337
Decrease in prepaids	(1,467)	(2,726)	(1,089)	(2,726)
Decrease in accounts payable and accrued liabilities	<u>(14,148)</u>	<u>(18,708)</u>	<u>(38,748)</u>	<u>(20,688)</u>
Net cash used in operating activities	<u>(131,718)</u>	<u>(143,993)</u>	<u>(267,139)</u>	<u>(260,086)</u>
Decrease in cash during the period	(131,718)	(143,993)	(267,139)	(260,086)
Cash, beginning of period	<u>6,827,294</u>	<u>7,321,904</u>	<u>6,962,715</u>	<u>7,437,997</u>
Cash, end of period	<u>\$ 6,695,576</u>	<u>\$ 7,177,911</u>	<u>\$ 6,695,576</u>	<u>\$ 7,177,911</u>
Cash paid during the period for interest	\$ -	\$ -	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -	\$ -	\$ -

There were no significant non-cash transactions during the six months ended January 31, 2010 and 2011.

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

NEWPORT EXPLORATION LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
JANUARY 31, 2011
(Unaudited – prepared by management)

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 interim 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 interim financial statements do not reflect adjustments that would be necessary if the going concern assumptions were not appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete 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 months ended January 31, 2011 are not necessarily indicative of the results that may be expected for the year ending July 31, 2011. These interim financial statements follow the same accounting policies as the annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the 2010 annual audited financial statements and notes thereto.

Recent accounting pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of the Company will be August 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

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

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. EQUIPMENT

	January 31, 2011			July 31, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 41,079	\$ 38,396	\$ 2,683	\$ 41,079	\$ 37,943	\$ 3,136
Furniture and fixtures	21,758	20,668	1,090	21,758	20,484	1,274
	\$ 62,837	\$ 59,064	\$ 3,773	\$ 62,837	\$ 58,427	\$ 4,410

4. MINERAL PROPERTY

The Company announced that an agreement has been reached with Reva Resources Corp. (“Reva”), whereby the Company can earn a 50% interest in Reva’s Chu Chua massive sulphide deposit located approximately 70km north of Kamloops, British Columbia. In order to earn the 50% interest, the Company, on or before December 31, 2012, will need to carry out and fund the costs of the recommended work program on the Chu Chua property estimated to be \$1,070,000. Additionally, there are two separate 1% net smelter returns to underlying parties.

5. 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.

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6. CAPITAL STOCK

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
As at July 31, 2009 and 2010 and January 31, 2011	54,922,874	\$ 42,343,096	\$ 1,173,038

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

At January 31, 2011, 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

There were no stock options granted in fiscal 2010 or during the six months ended January 31, 2011.

Warrants

At January 31, 2011, the Company had no outstanding share purchase warrants.

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8. RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2011, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$90,000 (2009 - \$90,000) to a company controlled by a director.
- b) Paid or accrued management fees of \$60,000 (2009 - \$60,000) to company controlled by a director.
- c) Paid or accrued rent of \$33,000 (2009 - \$33,000) to a company controlled by a director.
- d) Paid or accrued director fees of \$10,000 (2009 - \$10,000) to a director of the Company.
- e) Paid or accrued professional fees of \$5,990 (2009 - \$5,313) to a legal firm of which an officer of the Company is a partner.
- f) Paid or accrued consulting fees of \$12,000 (2009 - \$12,000) to a company controlled by the spouse of a director.

Included in accounts payable and accrued liabilities is \$4,521 (July 31, 2010 - \$3,333) payable to a director and to a legal firm of which 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.

9. 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 fair value of cash is determined using level 1 of the fair value hierarchy. The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these 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 January 31, 2011 is mainly held in interest bearing accounts. The Company's receivables are mainly HST recoverable from the Canadian government. The maximum exposure to credit risk is the equivalent of the cash and receivables on the balance sheet of the Company.

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9. 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 13.

(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 January 31, 2011, 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 January 31, 2011, 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.

10. SEGMENTED INFORMATION

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

	January 31, 2011	July 31, 2009
Capital assets		
Canada	\$ 3,773	\$ 4,410

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11. 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, 2011. The lease provides for basic lease payments as follows:

2011	\$	33,000
2012		<u>44,000</u>
	\$	<u>77,000</u>

- 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.

12. 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 fiscal 2010.

The Company is not subject to externally imposed capital restrictions.