

**NEWPORT EXPLORATION LTD.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**NINE MONTHS ENDED APRIL 30, 2013**

These unaudited condensed interim financial statements of Newport Exploration Ltd. for the nine months ended April 30, 2013 have been prepared by management and approved by the Board of Directors. These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

**NEWPORT EXPLORATION LTD.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**AS AT**  
(Unaudited)  
(Expressed in Canadian Dollars)

	April 30, 2013	July 31, 2012 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 2,384,956	\$ 2,556,163
Receivables (Note 4)	579,347	40,902
Prepaid expenses	5,157	2,527
Short-term investments	<u>3,278,607</u>	<u>3,445,275</u>
	6,248,067	6,044,867
<b>Equipment</b> (Note 5)	1,872	2,364
<b>Exploration and evaluation asset</b> (Note 6)	<u>356,342</u>	<u>102,162</u>
	<u>\$ 6,606,281</u>	<u>\$ 6,149,393</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current**

Accounts payable and accrued liabilities (Note 8)	<u>\$ 6,960</u>	<u>\$ 34,611</u>
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**Shareholders' equity**

Capital stock (Note 9)	42,343,096	42,343,096
Reserves (Note 9)	1,173,038	1,173,038
Deficit	<u>(36,916,813)</u>	<u>(37,401,352)</u>

	<u>6,599,321</u>	<u>6,114,782</u>
	<u>\$ 6,606,281</u>	<u>\$ 6,149,393</u>

**Nature of operations and going concern** (Note 1)

**Commitments** (Note 11)

\_\_\_\_\_  
"Ian Rozier"  
Ian Rozier

Director

\_\_\_\_\_  
"Barbara Dunfield"  
Barbara Dunfield

Director

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

**NEWPORT EXPLORATION LTD.**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited)  
(Expressed in Canadian Dollars)

	Three Months Ended April 30, 2013	Three Months Ended April 30, 2012	Nine Months Ended April 30, 2013	Nine Months Ended April 30, 2012
<b>EXPENSES</b>				
Administration fees	\$ 3,750	\$ 3,750	\$ 11,250	\$ 11,250
Amortization (Note 5)	151	207	492	673
Consulting fees	51,000	51,000	155,500	155,500
Directors' fees	5,000	5,000	15,000	15,000
Foreign exchange loss	2,728	118	1,872	238
Management fees	30,000	30,000	90,000	90,000
Office and miscellaneous	6,715	2,432	35,582	19,807
Professional fees	8,992	16,963	16,731	42,683
Rent	18,150	18,150	54,450	54,450
Shareholder communications	471	541	2,323	2,997
Transfer agent and filing fees	6,018	6,188	14,728	14,179
Travel and related costs	95	3,974	15,744	3,974
<b>Loss from operations before other items</b>	<u>(133,070)</u>	<u>(138,323)</u>	<u>(413,672)</u>	<u>(410,751)</u>
<b>OTHER ITEMS</b>				
Interest income	22,441	22,872	68,719	64,782
Petroleum royalty (Note 7)	<u>570,071</u>	<u>5,465</u>	<u>829,492</u>	<u>5,465</u>
	<u>592,512</u>	<u>28,337</u>	<u>898,211</u>	<u>70,247</u>
<b>Net income (loss) and comprehensive net income (loss) for the period</b>	<u>\$ 459,442</u>	<u>\$ (109,986)</u>	<u>\$ 484,539</u>	<u>\$ (340,504)</u>
<b>Earnings (loss) per common share:</b>				
Basic	0.01	(0.00)	0.01	(0.00)
Diluted	0.01	(0.00)	0.01	(0.00)
<b>Weighted average number of common shares outstanding:</b>				
Basic	54,922,874	54,922,874	54,922,874	54,922,874
Diluted	54,922,874	54,922,874	54,922,874	54,922,874

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

**NEWPORT EXPLORATION LTD.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**NINE MONTHS ENDED APRIL 30**  
(Unaudited)  
(Expressed in Canadian Dollars)

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ 484,539	\$ (340,504)
Item not affecting cash:		
Amortization	492	673
Change in non-cash working capital items:		
(Increase) decrease in receivables	(538,445)	11,162
(Increase) decrease in prepaid expenses	(2,630)	(327)
Decrease in accounts payable and accrued liabilities	<u>(27,651)</u>	<u>(32,895)</u>
Net cash used in operating activities	<u>(83,695)</u>	<u>(361,891)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation asset	(254,180)	(13,650)
Short-term investments	<u>166,668</u>	<u>(2,404,410)</u>
Net cash provided by (used in) investing activities	<u>(87,512)</u>	<u>(2,418,060)</u>
<b>Change in cash during the period</b>	<b>(171,207)</b>	<b>(2,779,951)</b>
<b>Cash, beginning of period</b>	<b><u>2,556,163</u></b>	<b><u>5,490,870</u></b>
<b>Cash, end of period</b>	<b><u>\$ 2,384,956</u></b>	<b><u>\$ 2,710,919</u></b>

**Supplemental disclosure with respect to cash flows (Note 12)**

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

**NEWPORT EXPLORATION LTD.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited)  
(Expressed in Canadian Dollars)

	<u>Capital Stock</u>		Reserves	Deficit	Total
	Number	Amount			
<b>Balance at August 1, 2011</b>	54,922,874	\$ 42,343,096	\$ 1,173,038	\$ (36,966,971)	\$ 6,549,163
Net income (loss) for the period	-	-	-	(340,504)	(340,504)
<b>Balance at April 30, 2012</b>	54,922,874	\$ 42,343,096	\$ 1,173,038	\$ (37,307,475)	\$ 6,208,659
<b>Balance at August 1, 2012</b>	54,922,874	\$ 42,343,096	\$ 1,173,038	\$ (37,401,352)	\$ 6,114,782
Net income (loss) for the period	-	-	-	484,539	484,539
<b>Balance at April 30, 2013</b>	54,922,874	\$ 42,343,096	\$ 1,173,038	\$ (36,916,813)	\$ 6,599,321

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

**NEWPORT EXPLORATION LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
APRIL 30, 2013

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Newport Exploration Ltd. (the “Company”) was incorporated on September 19, 1979 under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its evaluation and exploration assets. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation assets contain ore reserves.

The Company’s head office, principal address and registered and records office is 408 – 837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 3N6.

The recovery of the amounts comprising exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

These unaudited condensed interim financial statements have been prepared by management 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 Company has incurred ongoing losses and has not earned operating revenue. A number of alternatives including, but not limited to selling an interest in one or more of its exploration and evaluation assets or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. 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 and repay its liabilities arising from normal business operations as they become due.

The unaudited condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company estimates it has sufficient working capital to continue operations through fiscal 2013.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

These condensed interim financial statements were authorized for issue on June 28, 2013 by the directors of the Company.

***Statement of compliance and conversion to International Financial Reporting Standards***

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended July 31, 2012.

**NEWPORT EXPLORATION LTD.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**3. ACCOUNTING STANDARDS NOT YET EFFECTIVE**

*Amendments to IFRS 7 “Financial Instruments: Disclosures”*

This amendment increases the disclosure required regarding the transfer of financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. This amendment is effective for annual periods beginning on or after July 1, 2011.

*New standard IFRS 9 “Financial Instruments”*

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013.

**4. RECEIVABLES**

Trade and other receivables are comprised of the following:

	April 30, 2013	July 31, 2012
HST receivable	\$ 11,370	\$ 15,506
Petroleum royalty	567,624	25,247
Other receivables	353	149
<b>Total</b>	<b>\$ 579,347</b>	<b>\$ 40,902</b>

**5. EQUIPMENT**

	Furniture and fixtures	Computer equipment	Total
<b>Cost</b>			
Balance, July 31, 2012 and April 30, 2013	\$ 21,758	\$ 41,078	\$ 62,836
<b>Accumulated amortization</b>			
Balance, July 31, 2012	\$ 21,075	\$ 39,398	\$ 60,472
Amortization	141	351	492
Balance, April 30, 2013	\$ 21,216	\$ 39,749	\$ 60,964
<b>Carrying amounts</b>			
As at July 31, 2012	\$ 683	\$ 1,680	\$ 2,364
As at April 30, 2013	\$ 542	\$ 1,329	\$ 1,872



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**6. EXPLORATION AND EVALUATION ASSET**

During the year ended July 31, 2011 and amended in July 2012, the Company entered into an agreement with Reva Resources Corp. (“Reva”), whereby the Company can earn a 50% interest in Reva’s Chu Chua massive sulphide deposit (“Chu Chua”) located north of Kamloops, British Columbia. In order to earn the 50% interest, the Company, on or before December 31, 2013, will need to carry out, and fund the estimated \$1,070,000 costs of the recommended work program on Chu Chua. Additionally, there are two separate 1% net smelter returns to underlying parties. Two significant shareholders of Reva are directors of the Company. During the year ended July 31, 2011, the Company incurred \$37,642 in geological consulting expenditures. During the year ended July 31, 2012, the Company incurred \$70,811 in geological consulting expenditures and paid \$5,000 as a security deposit. Additionally, during the year ended July 31, 2012, the Company received a mining exploration tax credit of \$11,292. During the nine months ended April 30, 2013, the Company incurred \$4,180 of geological consulting expenditures.

During the nine months ended April 30, 2012, Reva accepted the sum of \$250,000 from the Company, the receipt of which was acknowledged by Reva as a work program credit of \$500,000 towards the Company’s obligation on the Chu Chua. Reva has confirmed a \$500,000 credit would be applied to the Company’s 50% interest earn-in commitment.

**7. PETROLEUM ROYALTY**

Under the terms of an agreement over the sale of CVL Resources (Barbados) Ltd. (formerly a wholly-owned subsidiary of the Company) in 2002, the Company retained a 2.5% royalty for any hydrocarbons discovered on certain petroleum exploration permits in Australia. During the nine months ended April 30, 2013, the Company earned \$829,492 (2012 - \$5,465) of petroleum royalty and as at April 30, 2013, the Company had \$567,624 (July 31, 2012 - \$25,247) included in receivables.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	April 30, 2013	July 31, 2012
Trade payables	\$ 1,153	\$ 11,278
Amounts due to related parties (Note 10)	5,807	3,333
Accrued liabilities	-	20,000
<b>Total</b>	<b>\$ 6,960</b>	<b>\$ 34,611</b>

The average credit period of purchases is one month. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

**9. CAPITAL STOCK AND RESERVES**

a) Authorized share capital and reserves

As at April 30, 2013, the authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value, all issued shares, consisting only of common shares are fully paid.

Reserves relate to stock options and compensatory warrants that have been previously issued by the Company.

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**9. CAPITAL STOCK AND RESERVES (cont'd...)**

a) Authorized share capital and reserves (cont'd...)

The diluted weighted average number of common shares is calculated as follows:

	2013	2012
Weighted average number of common shares outstanding	54,922,874	54,922,874
Effect of dilutive stock options	-	-
<b>Diluted weighted average number of common shares outstanding</b>	<b>54,922,874</b>	<b>54,922,874</b>

b) Stock options

The Company has an incentive stock options plan in place under which it is authorized to grant options to directors and employees to acquire up to 5,492,287 of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at April 30, 2013, the Company had outstanding stock options, enabling the holders to acquire further 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 2012 or during the nine months ended April 30, 2013.

c) Warrants

As at and during the year ended July 31, 2012 and as at and during the nine months ended April 30, 2013, there were no share purchase warrants issued or outstanding.

**10. RELATED PARTY TRANSACTIONS**

During the nine months ended April 30, 2013, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$135,000 (2012 - \$135,000) to a company controlled by a director of the Company.
- b) Paid or accrued management fees of \$90,000 (2012 - \$90,000) to a company controlled by a director of the Company.
- c) Paid or accrued rent of \$54,450 (2012 - \$54,450) to a company controlled by a director of the Company.

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**10. RELATED PARTY TRANSACTIONS (cont'd...)**

- d) Paid or accrued directors' fees of \$15,000 (2012 - \$15,000) to a director of the Company.
- e) Paid or accrued professional fees of \$6,916 (2012 - \$24,353) to a legal firm of which an officer of the Company is a partner.
- f) Paid or accrued consulting fees of \$Nil (2012 - \$18,000) to a company controlled by the spouse of a director.
- g) Paid or accrued consulting fees of \$18,000 (2012 - \$Nil) to a company controlled by a director.

As at April 30, 2013, accounts payable and accrued liabilities included \$5,807 (July 31, 2012 - \$3,333) owing to a director of the Company and to a legal firm of which an officer of the Company is a partner.

Key management personnel compensation disclosed above (including senior officers and directors of the Company):

	April 30, 2013	April 30, 2012
Short-term benefits	\$ 264,916	\$ 282,353

**11. COMMITMENTS**

- a) The Company leases office premises under an operating lease with a company controlled by a director. The lease provides for basic lease payments of \$6,050 per month to March 2015. The lease provides for basic lease payments as follows:

2013	\$ 18,150
2014	72,600
2015	48,400
	\$ 139,150

- b) The Company entered into management and consulting contracts with companies having a director and an officer 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 service fees to the director's company and 24 months of service fees to the officer's company.

**12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	2012	2011
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

There were no significant non-cash transactions for the nine months ended April 30, 2013 and April 30, 2012.

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APRIL 30, 2013

**13. SEGMENTED INFORMATION**

The Company operates in one business segment being the acquisition of exploration and evaluation assets. The Company's mineral property is held in Canada.

**14. FINANCIAL AND CAPITAL RISK MANAGEMENT**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The following is an analysis of the Company's financial instruments measured using the fair value hierarchy as at April 30, 2013 and July 31, 2012:

	As at April 30, 2013		
	Level 1	Level 2	Level 3
Cash	\$ 2,384,956	\$ -	\$ -
Short-term investments	\$ 3,278,607	\$ -	\$ -

  

	As at July 31, 2012		
	Level 1	Level 2	Level 3
Cash	\$ 2,556,163	\$ -	\$ -
Short-term investments	\$ 3,445,275	\$ -	\$ -

**Financial risk factors**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short-term investments and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because instruments are due primarily from government agencies and cash and short-term investments are held with reputable Canadian financial institutions.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at April 30, 2013, the Company had a cash balance of \$2,384,956 (July 31, 2012 - \$2,556,163) and short-term investments of \$3,278,607 (July 31, 2012 - \$3,445,275) to settle current liabilities of \$6,960 (July 31, 2012 - \$34,611). To maintain liquidity, the Company is continually investigating financing opportunities. As disclosed in Note 1, there can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms.

**14. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)**

**Financial risk factors (cont'd...)**

*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. These fluctuations may be significant.

a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposits certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The effect of a 1% change in interest rates is approximately \$53,000.

b) Foreign currency risk

The Company is not currently exposed to significant foreign currency risk as most transactions are denominated in Canadian dollars.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

**Capital management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of equity.

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 debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.