

**NEWPORT EXPLORATION LTD.**

**FINANCIAL STATEMENTS**

**OCTOBER 31, 2005**

(unaudited – prepared by management)

## **NEWPORT EXPLORATION LTD.**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

	Oct 31, 2005	Jul 31, 2005
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 44,210	\$ 52,846
Term deposits	1,011,623	1,536,162
Marketable securities (Note 3)	10,518	10,518
Receivables	69,491	50,444
Prepays	<u>10,669</u>	<u>27,137</u>
	1,146,511	1,677,107
<b>Equipment</b> (Note 4)	51,561	56,139
<b>Mineral properties</b> (Note 5)	862,050	542,086
<b>Deposit</b>	<u>9,264</u>	<u>9,264</u>
	<u>\$ 2,069,386</u>	<u>\$ 2,284,596</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 26,132</u>	<u>\$ 207,800</u>
	<u>26,132</u>	<u>207,800</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	34,383,271	34,323,271
Contributed surplus (Note 8)	181,596	181,596
Deficit	<u>(32,521,613)</u>	<u>(32,428,071)</u>
	<u>2,043,254</u>	<u>2,076,796</u>
	<u>\$ 2,069,386</u>	<u>\$ 2,284,596</u>

**Nature and continuance of operations** (Note 1)

**Commitments** (Note 12)

**Subsequent Events** (Note 13)

**On behalf of the Board:**

\_\_\_\_\_  
"Ian T. Rozier"

Director

\_\_\_\_\_  
"Barbara E. Dunfield"

Director

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

**NEWPORT EXPLORATION LTD.**  
**INTERIM STATEMENTS OF OPERATIONS AND DEFICIT**  
**THREE MONTHS ENDED OCTOBER 31**  
(unaudited – prepared by management)

	2005	2004
<b>EXPENSES</b>		
Administrative services	\$ 7,500	\$ 7,500
Amortization	4,578	6,878
Automobile	3,528	-
Consulting	41,745	20,640
Management fees	21,000	9,000
Office and miscellaneous	1,712	7,935
Professional fees	-	2,400
Regulatory fees	1,882	1,068
Rent	12,000	6,000
Shareholder information	3,133	6,597
Travel and related costs	<u>4,185</u>	<u>1,108</u>
<b>Loss before other items</b>	<u>(101,263)</u>	<u>(69,126)</u>
<b>OTHER ITEMS</b>		
Other income	-	3,588
Interest income	6,685	11,015
Foreign exchange	<u>1,036</u>	<u>-</u>
	<u>7,721</u>	<u>14,603</u>
<b>Loss for the period</b>	(93,542)	(54,523)
<b>Deficit, beginning of period</b>	<u>(32,428,071)</u>	<u>(31,947,860)</u>
<b>Deficit, end of period</b>	<u>\$ (32,521,613)</u>	<u>\$ (32,002,383)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of common shares outstanding</b>	<u>14,876,787</u>	<u>14,627,331</u>

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

**NEWPORT EXPLORATION LTD.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED OCTOBER 31**  
(unaudited – prepared by management)

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (93,542)	\$ (54,523)
Items not affecting cash:		
Amortization	4,578	6,878
Changes in non-cash working capital items:		
Increase in receivables	(19,047)	(3,493)
(Increase) decrease in prepaids	16,468	(14,348)
Increase (decrease) in accounts payable and accrued liabilities	<u>(181,668)</u>	<u>71,493</u>
Net cash used in operating activities	<u>(273,211)</u>	<u>6,007</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Term deposits	524,539	(10,767)
Mineral properties	(60,000)	(60,000)
Deferred exploration costs	<u>(199,964)</u>	<u>(107,329)</u>
Net cash used in investing activities	<u>264,575</u>	<u>(178,096)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of capital lease obligations	<u>-</u>	<u>(2,710)</u>
Net cash provided by financing activities	<u>-</u>	<u>(2,710)</u>
<b>Decrease in cash during the period</b>	(8,636)	(174,799)
<b>Cash, beginning of period</b>	<u>52,846</u>	<u>364,035</u>
<b>Cash, end of period</b>	<u>\$ 44,210</u>	<u>\$ 189,236</u>

**Supplemental disclosure with respect to cash flows (Note 9)**

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

**NEWPORT EXPLORATION LTD.**  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
OCTOBER 31, 2005  
(unaudited – prepared by management)

**1. NATURE AND CONTINUANCE OF OPERATIONS**

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

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

	Oct 31, 2005	Jul 31, 2005
Working capital	\$ 1,120,379	\$ 1,469,307
Deficit	(32,521,613)	(32,428,071)

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

**3. MARKETABLE SECURITIES**

Marketable securities are comprised of the following:

	Oct 31, 2005	Jul 31, 2005
Cost	\$ 22,542	\$ 22,542
Market value	\$ 10,518	\$ 10,518

During the three-months ended October 31, 2005, marketable securities were written-down by \$Nil (July 31, 2005 - \$3,457) to reflect market value.

**NEWPORT EXPLORATION LTD.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005**  
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**4. EQUIPMENT**

	Oct 31, 2005			Jul 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 37,067	\$ 29,981	\$ 7,086	\$ 37,067	\$ 29,406	\$ 7,661
Furniture and fixtures	21,758	15,889	5,869	21,758	15,413	6,345
Leasehold improvements	<u>95,671</u>	<u>67,210</u>	<u>38,606</u>	<u>105,816</u>	<u>63,683</u>	<u>42,133</u>
	\$ 164,641	\$ 113,080	\$ 51,561	\$ 164,641	\$ 108,502	\$ 56,139

**5. MINERAL PROPERTIES**

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

	Oct 31, 2005	Jul 31, 2005
	Mulga Tank Nickel Project, Australia	Mulga Tank Nickel Project, Australia
<b>Acquisition costs</b>		
Balance, beginning of period	\$ 78,000	\$ -
Acquisition costs	<u>120,000</u>	<u>78,000</u>
Balance, end of period	<u>198,000</u>	<u>78,000</u>
<b>Deferred exploration costs</b>		
Balance, beginning of period	464,086	4,912
Consulting	17,961	44,406
Claim costs	1,140	-
Drilling	115,827	87,602
Earth moving	-	10,887
Field administration	20,089	10,309
Field supplies	334	21,469
Geochemistry	-	7,768
Geophysics	-	68,191
Project management fees	11,219	97,085
Technical consulting	30,486	101,546
Travel	<u>2,908</u>	<u>9,911</u>
Balance, end of period	<u>664,050</u>	<u>464,086</u>
<b>Total</b>	<b>\$ 862,050</b>	<b>\$ 542,086</b>

**NEWPORT EXPLORATION LTD.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005**  
(unaudited – prepared by management)

**5. MINERAL PROPERTIES (cont'd...)**

**Mulga Tank Nickel Project, Australia**

During the year ended July 31, 2004, the Company entered into an agreement to acquire an 80% interest in an exploration license and a 75% interest in an application exploration license, collectively known as the Mulga Tank Nickel Project (“Mulga Tank”) located in Western Australia. As at October 31, 2005, the Company has paid \$120,000 and issued 450,000 common shares with a value of \$78,000. To acquire its interest, the Company is required:

- i) On or before September 1, 2006, pay \$90,000, issue 450,000 common shares and incur additional expenditures of \$500,000.
- ii) On or before September 1, 2007, pay \$150,000, issue 600,000 common shares and incur additional expenditures of \$750,000.
- iii) On or before September 1, 2008, incur additional expenditures of \$1,000,000.

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

**6. CAPITAL STOCK**

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

**NEWPORT EXPLORATION LTD.**  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
OCTOBER 31, 2005  
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**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 5 years. The board of directors has the exclusive power over the granting of options and their vesting provisions.

At October 31, 2005, the Company had outstanding stock options, enabling the holders to acquire common shares as follows:

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

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

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	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2004	200,000	0.35
Options granted	1,450,000	0.16
Options expired	<u>(200,000)</u>	0.35
Balance, July 31 and October 31, 2005	1,450,000	\$ 0.16
Number of options currently exercisable	1,450,000	\$ 0.16

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**Stock-based compensation**

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

**NEWPORT EXPLORATION LTD.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005**  
(unaudited – prepared by management)

**7. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Warrants**

At October 31, 2005, the Company had outstanding share purchase warrants, enabling holders to acquire shares as follows:

Number of Shares	Exercise Price	Expiry Date
5,841,400	\$ 0.45	December 16, 2005

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Exercise Price
Balance, July 31, 2004	7,341,400	0.39
Warrants cancelled/expired	<u>(1,500,000)</u>	0.35
Balance, July 31 and October 31, 2005	5,841,400	\$ 0.45

**8. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$32,000 (2004 - \$18,000) to companies controlled by two directors.
- b) Paid or accrued management fees of \$21,000 (2004 - \$9,000) to a company controlled by a director.
- c) Paid or accrued rent of \$12,000 (2004 - \$9,000) to a company controlled by a director.
- d) Paid or accrued automobile costs of \$3,528 (2004 - \$Nil) under a vehicle operating lease for use by directors and officers.

Included in prepaids at October 31, 2005 is \$Nil (2004 - \$9,000) for consulting fees, management fees and rent to companies controlled by directors of the Company.

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

**NEWPORT EXPLORATION LTD.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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(unaudited – prepared by management)

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

	2005	2004
Cash paid during the period for interest	\$ 526	\$ 2,710

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

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

The significant non-cash transaction for the three-months ended October 31, 2004 consisted of:

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

**10. FINANCIAL INSTRUMENTS**

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

**Currency Risk**

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

**11. SEGMENTED INFORMATION**

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

	Canada	Australia	Total
<b>October 31, 2005</b>			
Equipment	\$ 51,561	\$ -	\$ 51,561
Mineral properties	-	862,050	862,050
	\$ 51,561	\$ 862,050	\$ 913,611

**NEWPORT EXPLORATION LTD.**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2005**  
(unaudited – prepared by management)

**11. SEGMENTED INFORMATION (cont'd...)**

	Canada	Australia	Total
<b>July 31, 2005</b>			
Equipment	\$ 56,139	\$ -	\$ 56,139
Mineral properties	<u>-</u>	<u>542,086</u>	<u>542,086</u>
	<u>\$ 56,139</u>	<u>\$ 542,086</u>	<u>\$ 598,225</u>

**12. COMMITMENTS**

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

2006	\$ 46,582
2007	<u>40,000</u>
	<u>\$ 86,582</u>

**13. SUBSEQUENT EVENTS**

Subsequent to October 31, 2005, 5,841,000 share purchase warrants exercisable at \$0.45 per share, expired unexercised.

**NEWPORT EXPLORATION LTD.**  
**Management Discussion and Analysis**  
**For the three-months ended October 31, 2005**

The following discussion and analysis, prepared as of December 18, 2005, should be read together with the unaudited interim financial statements for the three month period ended October 31, 2005 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the year ended July 31, 2005 and 2004, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

***Description of Business***

Newport Exploration Ltd. is a mineral exploration company engaged in the acquisition and exploration of mineral properties in Western Australia. The Company's head office is in Vancouver, British Columbia. The Company has an exploration property for nickel in Western Australia where it holds an option to acquire an 80% interest in an exploration license and a 75% interest in an application exploration license. The Company is a reporting issuer in British Columbia, Alberta and Saskatchewan and trades on the TSX Venture Exchange under the symbol NWX.

***Results of Operations***

The Company recorded a loss for the three months ended October 31, 2005 of \$93,542 or (\$0.01) per common share compared to a loss of \$54,523 or (\$0.01) per common share for the three months ended October 31, 2004.

***Exploration Expenditures***

During the three months ended October 31, 2005, the Company incurred exploration expenditures of \$199,964 (2004 - \$107,329). These expenditures for both 2005 and 2004 were incurred on the Company's Mulga Tank project.

The Company continues work on the Mulga Tank Nickel Project ("Mulga Tank") located in Western Australia. Mulga Tank is a significant target for the large dunite hosted nickel sulphide deposit located approximately 250km northeast of Kalgoorlie in the Northeast Goldfields of Western Australia, an area that contains some of the world's largest nickel deposits.

The Mulga Tank tenements comprise an Exploration Licence (“EL”) covering 210 sq km and an Application for Exploration Licence (“AEL”) covering a further 153 sq km. The Company has an option over an 80% interest in the EL and an option over a 75% interest in the AEL and all first year commitments and obligations have been met.

On September 26, 2005 the Company reported assay results from two vertical diamond drill holes (MTD001 and MTD002) that tested two anomalous zones within a large buried dunite and airborne magnetic anomaly indicative of unexplored nickel targets. BHP previously (1980s) completed a program of shallow RC drilling to bedrock and one shallow diamond drill hole. The dunite body, covering an area of approximately 4.7km x 3.2km, had received little attention in the past due to lack of outcrop, being totally overlain by sand, and was recognized by Newport as being prospective for a large nickel sulphide target.

The Company is very encouraged by the significant nickel mineralization it encountered in these two drill holes. *“To get a 270m intersection of 0.2% nickel in our first hole at Mulga Tank is outstanding”,* said Ian Rozier, President of Newport. *“To follow it up with a second hole two thousand metres away almost as good speaks volumes for the geophysical-geological interpretation and planning that preceded the drilling program and target selection. The Mulga Tank property is looking very good and we have an excellent land position.,”* he further added.

The Company regards the identification of massive sulphide targets a very positive development at Mulga Tank. Newport is well financed and able to meet all its work commitments at Mulga Tank through 2006.

#### ***General & Administrative***

For the three months ended October 31, 2005, the Company incurred a total of \$101,263 (2004 - \$69,126) on general and administrative expenses. Consulting was \$41,745 (2004 - \$20,640) which reflects the majority of the difference between the two years. Management believes the 2005 expenses are reflective of what the Company’s ongoing expenditures will be.

#### ***Other Income and Expenses***

The Company recorded interest income of \$6,685 (2004 - \$11,015) as a result of interest earned on its term deposits.

#### ***Liquidity and Capital Resources***

The Company’s working capital position at October 31, 2005 was \$1,120,379 as compared to a working capital position of \$1,469,307 at July 31, 2005. The decrease in working capital is primarily a result of the \$259,964 spent on exploration and acquisition costs in connection with the Mulga Tank project.

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 financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

***Commitments and Contractual Obligations***

The Company has work commitments on its Mulga Tank project pursuant to its underlying agreements. Newport has fulfilled its obligations in accordance with the commitment schedule. The work and acquisition commitments outlined below are contingent on successful exploration results being obtained.

	Expiry Date	Exploration Expenditures	Acquisition Costs	Share Issuances	
Year 1	Sept 1, 2005	\$ 250,000	\$60,000	300,000	(completed)
Year 2	Sept 1, 2006	500,000	90,000	450,000	
Year 3	Sept 1, 2007	750,000	150,000	600,000	
Year 4	Sept 1, 2008	1,000,000			

***Quarterly Financial Information***

	Three Months Ended Oct 31, 2005	Three Months Ended Jul 31, 2005	Three Months Ended Apr 30, 2005	Three Months Ended Jan 31, 2005
Total assets	\$ 2,069,386	\$ 2,284,596	\$ 2,233,110	\$ 2,360,255
Mineral properties and deferred costs	862,050	542,086	458,744	255,987
Working capital	1,120,379	1,469,307	1,645,699	1,965,004
Loss for the period	(93,542)	(117,108)	(230,467)	(78,113)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.02)	(0.01)

	Three Months Ended Oct 31, 2004	Three Months Ended Jul 31, 2004	Three Months Ended Apr 30, 2004	Three Months Ended Jan 31, 2004
Total assets	\$ 2,492,635	\$ 2,460,375	\$ 2,736,374	\$ 2,650,050
Mineral properties and deferred costs	190,241	4,912	255,652	388,687
Working capital	2,112,088	2,327,062	2,147,806	2,049,681
Loss for the period	(54,523)	(193,324)	(57,266)	(111,546)
Loss per share – basic and diluted	(0.01)	(0.02)	(0.01)	(0.01)

Significant changes in key financial data from fiscal 2005 to 2004 can be attributed to the closing of the Company's 1.94 million dollars private placement 2004. Also in 2004 the Company wrote down certain costs associated to the option on the Cuba Copper project and Mexican Gold project. In the third quarter of 2005, the Company granted 1.45 million incentive stock options,

which resulted in a \$122,153 stock-based compensation expenses using the Black-Scholes Option pricing model. This was the primary reason for the increase during that quarter.

During the fourth quarter of fiscal 2005 and in the first quarter of fiscal 2006, consulting fees increased as a result of the work program undertaken on the Mulga Tank project. Travel costs were lower in 2005 due to less travel once the Company had acquired the Mulga Tank project. There was an increase in the Company's office lease during the year. Most other expenses remained consistent.

Also, since entering into the agreement to acquire the Mulga Tank property in 2004, the Company has incurred \$664,050 in exploration expenditures on the project. Under the terms of the agreement on the Mulga Tank project, the Company was committed to incur exploration expenditures in the first year of a minimum of \$250,000, pay \$60,000 and issue 300,000 common shares. This commitment was fulfilled.

### ***Related Party Transactions***

During the three months ended October 31, 2005, the Company paid or accrued \$26,000 (2004 - \$18,000) to Buccaneer Management Inc., a company controlled by the President of Newport, and paid or accrued \$6,000 (2004 - \$Nil) to 676421 B.C. Ltd., a company controlled by a director of the Company for consulting fees. Also during the period, the Company paid or accrued \$21,000 (2004 - \$9,000) for management fees to Tabo Investments Ltd., a company controlled by a director of Newport. Additionally, the Company paid or accrued \$12,000 (2004 - \$9,000) for rent charged by 641485 B.C. Ltd., a company controlled by the President of Newport.

### ***Subsequent Events***

Subsequent to October 31, 2005, 5,841,000 share purchase warrants exercisable at \$0.45 per share, expired unexercised.

### ***Risk, Uncertainties and Outlook***

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. Certain of the Company's mineral properties are also located in emerging nations and, consequently, may be subject to a higher level of risk compared to developed countries.

Operations, the status of mineral property rights and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations.

Other risks facing the Company include competition, environmental and insurance risks, fluctuations in metal prices, fluctuations in exchange rates, share price volatility and uncertainty of additional financing.

***Share Capital***

As at December 18, 2005, the Company had 14,977,874 common shares outstanding and the following outstanding warrants and options:

***Outstanding Warrants:***

There are no warrants outstanding as of the date of this report.

***Outstanding Options:***

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

***Internal Disclosure Controls and Procedures***

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded, based on our evaluation that they are sufficiently effective to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.