NEWPORT EXPLORATION LTD.

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

JANUARY 31, 2014

These unaudited condensed interim financial statements of Newport Exploration Ltd. for the six months ended January 31, 2014 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)

		January 31, 2014		July 31, 2013
				(Audited)
ASSETS				
Current				
Cash	$	743,564	$	1,452,666
Receivables (Note 4)		3,760,348		1,181,105
Prepaid expenses		6,471		1,958
Short-term investments		8,362,466		5,311,101
		12,872,849		7,946,830
Equipment (Note 5)		1,484		1,734
Exploration and evaluation asset (Note 6)		2,076,663		335,012
	$	14,950,996	$	8,283,576
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 8)	$	40,523	$	24,711
Shareholders' equity				
Capital stock (Note 9)		42,560,536		42,343,096
Reserves (Note 9)		1,426,435		1,173,038
Deficit		(29,076,498)		(35,257,269)
		14,910,473		8,258,865
	$	14,950,996	$	8,283,576

Nature of operations and going concern (Note 1)
Commitments (Note 11)
Subsequent event (Note 15)

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

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

	Three Months Ended January 31, 2014	Three Months Ended January 31, 2013	Six Months Ended January 31, 2014	Six Months Ended January 31, 2013
EXPENSES				
Administration fees	$ 6,000	$ 3,750	$ 12,000	$ 7,500
Amortization (Note 5)	120	163	250	341
Consulting fees	45,000	53,500	96,000	104,500
Directors' fees	10,000	5,000	15,000	10,000
Foreign exchange (gain) loss	37,343	(1,217)	(76,546)	(856)
Management fees	32,500	30,000	62,500	60,000
Office and miscellaneous	7,740	17,753	13,598	28,867
Professional fees	45,219	232	52,361	7,739
Property investigation costs	5,000	-	10,000	-
Rent	18,150	18,150	36,300	36,300
Shareholder communications	4,033	561	4,599	1,852
Share-based payments (Note 9)	253,397	-	253,397	-
Transfer agent and filing fees	8,011	7,957	11,362	8,710
Travel and related costs	19,585	1,058	32,060	15,649
Loss from operations before other items	(492,098)	(136,907)	(522,881)	(280,602)
OTHER ITEMS				
Interest income	34,746	23,097	62,688	46,278
Petroleum royalty (Note 7)	3,704,296	186,790	6,640,964	259,421
	3,739,042	209,887	6,703,652	305,699
Net income and comprehensive net income for the period	$ 3,246,944	$ 72,980	$ 6,180,771	$ 25,097
Earnings (loss) per common share:				
Basic	0.05	0.00	0.11	0.00
Diluted	0.05	0.00	0.11	0.00
Weighted average number of common shares outstanding:				
Basic	60,358,874	54,922,874	58,468,091	54,922,874
Diluted	61,425,485	54,922,874	59,001,396	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
SIX MONTHS ENDED JANUARY 31
(Unaudited)
(Expressed in Canadian Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	$ 6,180,771	$ 25,097
Items not affecting cash:		
Amortization	250	341
Share-based payments	253,397	-
Change in non-cash working capital items:		
Increase in receivables	(2,579,243)	(164,718)
Increase in prepaid expenses	(4,513)	(5,829)
Increase (decrease) in accounts payable and accrued liabilities	10,876	(28,778)
Net cash provided by (used in) operating activities	3,861,538	(173,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation asset	(1,519,275)	-
Short-term investments	(3,051,365)	174,399
Cash provided by (used in) investing activities	(4,570,640)	174,399
Change in cash during the period	(709,102)	512
Cash, beginning of period	1,452,666	2,556,163
Cash, end of period	$ 743,564	$ 2,556,675

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.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Capital Stock								
	Number		Amount		Reserves		Deficit		Total
Balance at August 1, 2012	54,922,874	$	42,343,096	$	1,173,038	$	(37,401,352)	$	6,114,782
Net income for the period	-		-		-		25,097		25,097
Balance at January 31, 2013	54,922,874	$	42,343,096	$	1,173,038	$	(37,376,255)	$	6,139,879
Balance at August 1, 2013	54,922,874	$	42,343,096	$	1,173,038	$	(35,257,269)	$	8,258,865
Common shares issued for exploration and evaluation asset (Note 9)	5,436,000		217,440		-		-		217,440
Net income for the period	-		-		-		6,180,771		6,180,771
Share-based payments	-		-		253,397		-		253,397
Balance at January 31, 2014	60,358,874	$	42,560,536	$	1,426,435	$	(29,076,498)	$	14,910,473

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

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.

These 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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited condensed interim financial statements were authorized for issue on March 31, 2014 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, 2013.

(Expressed in Canadian Dollars)

3. ADOPTION OF ACCOUNTING STANDARDS

The following standards and amendments to existing standards have been adopted by the Company commencing August 1, 2013:

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.

IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

IFRS 13, "Fair Value Measurement"

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The new converged fair value framework is effective for annual periods beginning on or after January 1, 2013.

4. RECEIVABLES

Trade and other receivables are comprised of the following:

		January 31, 2014		July 31, 2013
HST receivable	$	8,946	$	5,877
Petroleum royalty		3,750,691		1,174,795
Other receivables		711		433
Total	$	3,760,348	$	1,181,105

(Expressed in Canadian Dollars)

5. EQUIPMENT

		Furniture and fixtures		Computer equipment		Total
Cost						
Balance, July 31, 2012, July 31, 2013 and January 31, 2014	$	21,758	$	41,079	$	62,837
Accumulated amortization						
Balance, July 31, 2012	$	21,075	$	39,398	$	60,473
Amortization		182		448		630
Balance, July 31, 2013		21,257		39,846		61,103
Amortization		73		177		250
Balance, January 31, 2014	$	21,330	$	40,023	$	61,353
Carrying amounts						
As at July 31, 2013	$	501	$	1,233	$	1,734
As at January 31, 2014	$	428	$	1,056	$	1,484

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”), to earn a 50% interest in Reva’s Chu Chua massive sulphide deposit (“Chu Chua”), located north of Kamloops, British Columbia. To earn the 50% interest, the Company, on or before December 31, 2013, was to carry out, and fund the estimated $1,070,000 work program. There are two separate 1% net smelter returns on Chu Chua 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 reclamation bond. Additionally, during the year ended July 31, 2012, the Company received a mining exploration tax credit of $11,292. During the year ended July 31, 2013, the Company incurred $4,181 of geological consulting expenditures and paid the sum of $250,000 to Reva, acknowledged as a work program credit of $500,000 towards the Company’s Chu Chua obligation. In addition, the Company received a mining exploration tax credit of $21,330 during the year ended July 31, 2013.

During the six months ended January 31, 2014, the Company acquired a 100% interest in Chu Chua. In consideration, the Company paid Reva $1,500,000 and issued 5,436,000 common shares of the Company at a value of $217,440. The shares are subject to a four-month hold period expiring February 4, 2014. The 100% acquisition agreement provides that it superceded and replaced the earlier 50% earn-in agreement and the Company was no longer required to complete the recommended $1,070,000 work program on or before December 31, 2013. In addition, the Company incurred $24,211 of geological consulting on Chu Chua during the period.

7. PETROLUEM 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 royalty interest on any hydrocarbons discovered on certain petroleum exploration permits in Australia. During the six months ended January 31, 2014, the Company earned $6,640,964 (2013 - $259,421) of petroleum royalty, of which as at January 31, 2014, the Company had $3,750,691 (July 31, 2013 - $1,174,795) included in receivables (subsequently received).

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2014	July 31, 2013
Trade payables	$ 29,499	$ 289
Related party transactions (Note 8)	11,024	8,422
Accrued liabilities	-	16,000
Total	$ 40,523	$ 24,711

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

As at January 31, 2014, the authorized share capital of the Company is an unlimited number of common shares without par value.

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

During the six months ended January 31, 2014, the Company issued 5,436,000 common shares at a price of $0.04 per share pursuant to the Chu Chua property agreement (Note 6). Shares are valued at the market price on the date of issuance.

b) Stock options

The Company has an incentive stock option plan (the "Plan") in place under which it is authorized to grant options to directors and employees to acquire up to 6,035,887 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.

Details of options outstanding as at January 31, 2014 are as follows:

Number of Shares	Exercise Price	Expiry Date
6,000,000	$0.05	December 19, 2018

(Expressed in Canadian Dollars)

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

b) Stock options (cont'd...)

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, July 31, 2012 and 2013	5,450,000	$	0.10
Expired	(5,450,000)		0.10
Granted	6,000,000		0.05
Balance, January 31, 2014	6,000,000	$	0.05
Number of options currently exercisable	6,000,000	$	0.05

c) Share-based payments

During the six months ended January 31, 2014, the Company Granted stock options to directors, officers and consultants to acquire 6,000,000 common shares with a grant date fair value of $0.04 per option resulting in share-based payments expense under the Black-Scholes option pricing model of $253,397. No stock options were granted during the six months ended January 31, 2013.

The Company applies the fair value method using the Black-Scholes option pricing model to account for stock options granted to directors, officers and consultants. The following assumptions were used to calculate the fair value of the stock options granted during the period:

	2014
Risk-free interest rate	1.88%
Expected life of options	5 years
Annualized volatility	124.82%
Dividend rate	0%
Forfeiture rate	0%

d) Warrants

As at and during the year ended July 31, 2013 and as at and during the six months ended January 31, 2014, there were no share purchase warrants issued or outstanding.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2014, the Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $90,000 (2013 - $90,000) to a company controlled by a director of the Company.

b) Paid or accrued management fees of $62,500 (2013 - $60,000) to a company controlled by a director of the Company.

c) Paid or accrued rent of $36,300 (2013 - $36,300) to a company controlled by a director of the Company.

d) Paid or accrued directors' fees of $15,000 (2013 - $10,000) to a director of the Company.

e) Paid or accrued professional fees of $17,288 (2013 - $4,174) to a legal firm of which an officer of the Company is a partner.

f) Paid or accrued consulting fees of $6,000 (2013 - $12,000) to a company controlled by a director of the Company.

As at January 31, 2014, accounts payable and accrued liabilities included $11,024 (July 31, 2013 - $8,422) owing to directors of the Company, a company controlled by 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):

	January 31, 2014	January 31, 2013
Short-term benefits	$ 152,500	$ 150,000

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:

2014	$ 36,300
2015	48,400
	$ 84,700

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 $27,500 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 36 months of service fees to the officer's company.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	January 31, 2014	January 31, 2013
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

During the six months ended January 31, 2014, the Company issued 5,436,000 common shares valued at $217,440 on the purchase of Chu Chua.

During the six months ended January 31, 2014, included in accounts payable and accrued liabilities is $4,936 of exploration and evaluation asset expenditures.

There were no significant non-cash transactions for the six months ended January 31, 2013.

13. SEGMENTED INFORMATION

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

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 January 31, 2014 and July 31, 2013:

	As at January 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash	$ 743,564	$ -	$ -
Short-term investments	$ 8,362,466	$ -	$ -

	As at July 31, 2013		
	Level 1	**Level 2**	**Level 3**
Cash	$ 1,452,666	$ -	$ -
Short-term investments	$ 5,311,101	$ -	$ -

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

Financial risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks 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 January 31, 2014, the Company had a cash balance of $743,564 (July 31, 2013 - $1,452,666) and short-term investments of $8,362,466 (July 31, 2013 - $5,311,101) to settle current liabilities of $40,523 (July 31, 2013 - $24,711). 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.

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 $84,000.

b) Foreign currency risk

   The Company is exposed to foreign currency risk with respect to its petroleum royalty which is denominated in Australian dollars. The effect of a 1% change in exchange rates between the Australian dollar and Canadian dollar foreign exchange is approximately $66,000. The Company does not currently hedge exchange risk. The majority of 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 petroleum royalty received and 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.

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

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

15. SUBSEQUENT EVENT

Subsequent to January 31, 2014, the Company completed a non-brokered private placement and issued 20 million units at a price of $0.11 per unit for gross proceeds of $2.2 million. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire a further common share of the Company at a price of $0.14 per common share until March 7, 2019. In accordance with applicable securities laws, the shares and warrants are subject to a four-month hold period, expiring on July 11, 2014. No finders' fees were paid in connection with the financing.