NEWPORT EXPLORATION LTD.

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

SIX MONTHS ENDED JANUARY 31, 2015

These unaudited condensed interim financial statements of Newport Exploration Ltd. for the six months ended January 31, 2015 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, 2015	July 31, 2014
		(Audited)
ASSETS		
Current		
Cash and equivalents	$ 337,651	$ 1,754,167
Receivables (Note 4)	1,775,961	3,511,493
Prepaids	23,781	-
Short-term investments	19,240,257	16,001,512
	21,377,650	21,267,172
Equipment (Note 5)	5,686	6,476
Exploration and evaluation asset (Note 6)	2,079,370	2,077,438
	$ 23,462,706	$ 23,351,086
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 102,688	$ 73,968
Income tax payable (Note 14)	391,480	2,556,000
	494,168	2,629,968
Shareholders' equity		
Capital stock (Note 9)	44,149,620	44,761,493
Treasury stock (Note 9)	(34,500)	-
Reserves (Note 9)	1,812,671	1,420,100
Deficit	(22,959,253)	(25,460,475)
	22,968,538	20,721,118
	$ 23,462,706	$ 23,351,086

Nature of operations and going concern (Note 1)
Commitments (Note 11)
Contingency (Note 17)
Shareholder rights plan (Note 18)
Normal course issuer bid (Note 19)
Subsequent events (Note 20)

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, 2015	Three Months Ended January 31, 2014	Six Months Ended January 31, 2015	Six Months Ended January 31, 2014
		(Note 2)		(Note 2)
EXPENSES				
Administration fees	$ 5,250	$ 6,000	$ 10,500	$ 12,000
Amortization (Note 5)	395	120	790	250
Consulting fees	45,000	45,000	90,000	96,000
Directors' fees	10,000	10,000	20,000	15,000
Foreign exchange (gain) loss	18,449	37,343	73,710	(76,546)
Management fees	37,500	32,500	75,000	62,500
Office and miscellaneous	13,357	7,740	21,932	13,598
Professional fees (Note 16)	125,248	45,219	278,426	52,361
Property investigation costs	-	5,000	-	10,000
Rent	18,150	18,150	36,300	36,300
Shareholder communications	1,639	4,033	3,515	4,599
Share-based payments (Note 9)	392,571	253,397	392,571	253,397
Transfer agent and filing fees	14,551	8,011	20,694	11,362
Travel and related costs	16,167	19,585	23,821	32,060
Loss from operations	(698,277)	(492,098)	(1,047,259)	(522,881)
OTHER INCOME				
Interest income	93,015	34,746	184,012	62,688
Petroleum royalty (Note 7)	1,734,292	3,704,296	3,893,431	6,640,964
	1,827,307	3,739,042	4,077,443	6,703,652
Net income before income taxes	1,129,030	3,246,944	3,030,184	6,180,771
Income tax recovery (Note 14)	-	-	353,990	-
Income tax expense (Note 14)	(390,212)	(970,000)	(882,952)	(1,188,000)
	(390,212)	(970,000)	(528,962)	(1,188,000)
Net income and comprehensive net income for the period	$ 738,818	$ 2,276,944	$ 2,501,222	$ 4,992,771
Earnings per common share:				
Basic	$ 0.01	$ 0.04	$ 0.03	$ 0.09
Diluted	0.01	0.04	0.03	0.08
Weighted average number of common shares outstanding:				
Basic	78,412,483	60,358,874	78,396,178	58,468,091
Diluted	95,136,502	61,425,485	96,432,779	59,001,396

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)

	2015	2014 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	$ 2,501,222	$ 4,992,771
Items not affecting cash:		
Amortization	790	250
Income tax recovery	(353,990)	-
Share-based payments	392,571	253,397
Change in non-cash working capital items:		
Decrease (increase) in receivables	1,735,532	(2,579,243)
Increase in prepaid expenses	(23,781)	(4,513)
Increase in accounts payable and accrued liabilities	28,720	10,876
Increase (decrease) in income tax payable	(1,810,530)	1,188,000
Net cash provided by operating activities	2,470,534	3,861,538
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation asset	(1,932)	(1,519,275)
Short-term investments	(3,238,745)	(3,051,365)
Cash used in investing activities	(3,240,677)	(4,570,640)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	140,000	-
Repurchase of capital stock	(751,873)	-
Purchase of treasury shares	(34,500)	-
Cash used in financing activities	(646,373)	-
Decrease in cash and equivalents during the period	(1,416,516)	(709,102)
Cash and equivalents, beginning of period	1,754,167	1,452,666
Cash and equivalents, end of period	$ 337,651	$ 743,564

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 SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Capital Stock					
	Number	**Shares**	**Treasury Stock**	**Reserves**	**Deficit**	**Total**
Balance at July 31, 2013	54,922,874	$ 42,343,096	$ -	$ 1,173,038	$ (35,257,269)	$ 8,258,865
Common shares issued for exploration and evaluation asset	5,436,000	217,440	-	-	-	217,440
Share-based payments	-	-	-	253,397	-	253,397
Net income for the period (Note 2)	-	-	-	-	4,992,771	4,992,771
Balance at January 31, 2014	60,358,874	$ 42,560,536	$ -	$ 1,426,435	$ (30,264,498)	$ 13,722,473
Balance at July 31, 2014	80,508,874	$ 44,761,493	$ -	$ 1,420,100	$ (25,460,475)	$ 20,721,118
Treasury shares	-	-	(34,500)	-	-	(34,500)
Share repurchase	(2,129,000)	(751,873)	-	-	-	(751,873)
Exercise of warrants	1,000,000	140,000	-	-	-	140,000
Share-based payments	-	-	-	392,571	-	392,571
Net income for the period	-	-	-	-	2,501,222	2,501,222
Balance at January 31, 2015	79,379,874	$ 44,149,620	$ (34,500)	$ 1,812,671	$ (22,959,253)	$ 22,968,538

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. Additionally, the Company has no ability to determine the quantum or sustainability of future royalty payments, and as a result, there is no assurance the Company will continue to receive its 2.5% gross overriding petroleum royalty. The receipts of royalty payments are not indicative of additional near-term income or any future income as the Company has no such information to support or validate the expectation of future receipt.

The Company's head office and principal address is 408 – 837 West Hastings Street, Vancouver, British Columbia, Canada, V6C 3N6. The Company's registered and records office is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited condensed interim financial statements were authorized for issue on March 31, 2015 by the directors of the Company.

Statement of compliance

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 audited annual financial statements of the Company for the year ended July 31, 2014.

Restatement of prior periods

These unaudited condensed interim financial statements have been restated for income tax expense on the Company's operations for the three and six months ended January 31, 2014. The Company recalculated its tax base on its income from operations resulting in $970,000 and $1,188,000 of income tax expense for the three and six months ended January 31, 2014, respectively. Net income and comprehensive net income for the three and six months ended January 31, 2014 has been reduced from $3,246,944 to $2,276,944 and, $6,180,771 to $4,992,771, respectively.

(Expressed in Canadian Dollars)

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

New accounting standards adopted:

The following standards and amendments to existing standards have been adopted by the Company commencing August 1, 2014:

IAS 32 (Amendment) Offsetting Financial Assets and Financial Liabilities

The amendment to IAS 32, Financial Instruments: Presentation, requires that financial asset and financial liability should only be offset and the net amount reported when an entity has a legal enforceable right to set off the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The adoption of this amendment has no effect on the Company's financial statements.

Several other new standards and amendments apply for the first time in fiscal 2015, however, they are not applicable to the financial statements of the Company.

New accounting standards not yet effective:

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its financial statements

i) IFRS 7 (Amendment): Standard amended to clarity requirements for mandatory effective dates and transition disclosures, effective for annual periods beginning on or after January 1, 2015;
ii) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018.

4. RECEIVABLES

Trade and other receivables are comprised of the following:

	January 31, 2015	July 31, 2014
GST receivable	$ 12,420	$ 8,556
Petroleum royalty (Note 7)	1,762,782	3,498,148
Other receivables	759	4,789
Total	$ 1,775,961	$ 3,511,493

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Furniture and fixtures	Computer equipment	Total
Cost			
Balance, July 31, 2014 and January 31, 2015	$ 21,758	$ 46,291	$ 68,049
Accumulated amortization			
Balance, July 31, 2014	$ 21,357	$ 40,216	$ 61,573
Amortization	40	750	790
Balance, January 31, 2015	$ 21,397	$ 40,966	$ 62,363
Carrying amounts			
As at July 31, 2014	$ 401	$ 6,075	$ 6,476
As at January 31, 2015	$ 361	$ 5,325	$ 5,686

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 was to carry out, and fund, an estimated $1,070,000 work program on or before December 31, 2013. 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 year ended July 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 100% acquisition agreement supersedes and replaces 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. The Company incurred $24,986 of geological consulting expenditures on Chu Chua during the year ended July 31, 2014, and $1,932 for assaying costs during the six months ended January 31, 2015.

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 2.5% gross overriding royalty interest on any hydrocarbons discovered on certain petroleum exploration licences in Australia. During the six months ended January 31, 2015, the Company earned $3,893,431 (2014 - $6,640,964) of petroleum royalty income, of which the Company had $1,762,782 (July 31, 2014 - $3,498,148) included in receivables as at January 31, 2015 (notified and received subsequent to January 31, 2015).

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2015	July 31, 2014
Trade payables	$ 96,022	$ 38,394
Due to related parties (Note 10)	6,666	17,016
Accrued liabilities	-	18,558
Total	$ 102,688	$ 73,968

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, 2015, 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, 2015, the Company received $140,000 pursuant to the exercise of 1,000,000 warrants.

During the six months ended January 31, 2015, the Company purchased 2,229,000 of the Company's shares for $786,373. The share purchases were in line with the Company's Normal Course Issuer Bid ("NCIB") (Note 19). During the six months ended January 31, 2014, 2,129,000 shares were cancelled and, subsequent to January 31, 2015, 100,000 shares were cancelled.

During the year ended July 31, 2014, the Company completed a non-brokered private placement and issued 20,000,000 units at a price of $0.11 per unit for gross proceeds of $2,200,000. Each unit consists of one common share and one share purchase warrant which entitles the holder to acquire one common share of the Company, at $0.14, until March 7, 2019. Share issuance costs of $12,878, relating to legal and filing fees, were incurred by the Company.

During the year ended July 31, 2014, the Company issued 5,436,000 common shares with a value 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.

During the year ended July 31, 2014, 150,000 stock options were exercised for gross proceeds of $7,500.

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 7,937,987 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 any applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

(Expressed in Canadian Dollars)

9. CAPITAL STOCK AND RESERVES (cont'd)

b) Stock options (cont'd)

Details of options outstanding as at January 31, 2015 are as follows:

Number of Options	Exercise Price	Expiry Date
5,850,000	$0.050	December 19, 2018
1,700,000	0.335	December 13, 2019
7,550,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2013	5,450,000	$ 0.100
Expired	(5,450,000)	0.100
Granted	6,000,000	0.050
Exercised	(150,000)	0.050
Balance, July 31, 2014	5,850,000	0.050
Granted	1,700,000	0.335
Balance, January 31, 2015	7,550,000	$ 0.114
Number of options exercisable	7,550,000	$ 0.114

c) Share-based payments

During the six months ended January 31, 2015, the Company granted stock options to directors, officers and consultants to acquire up to 1,700,000 common shares with a grant date fair value of $0.23 per option resulting share-based payments expense of $392,571, using the Black-Scholes option pricing model.

During the year ended July 31, 2014, the Company granted stock options to directors, officers and consultants to acquire up to 6,000,000 common shares with a grant date fair value of $0.04 per option resulting in share-based payments expense of $253,397, using the Black-Scholes option pricing model.

(Expressed in Canadian Dollars)

9. CAPITAL STOCK AND RESERVES (cont'd)

c) Share-based payments (cont'd)

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:

	2015	2014
Risk-free interest rate	1.31%	1.88%
Expected life of options	5 years	5 years
Annualized volatility	88.75%	124.82%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

d) Warrants

Details of warrants outstanding as at January 31, 2015 are as follows:

Number of Warrants	Exercise Price	Expiry Date
19,000,000	$0.14	March 7, 2019

Warrant transactions are summarized as follows:

	Number of Warrants	Exercise Price
Balance, July 31, 2013	-	$ -
Issued	20,000,000	0.14
Balance, July 31, 2014	20,000,000	0.14
Exercised	(1,000,000)	0.14
Balance, January 31, 2015	19,000,000	$ 0.14

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2015, the Company entered into the following transactions with related parties:

a) Paid or accrued consulting fees of $90,000 (2014 - $90,000) to a company controlled by a director of the Company.

b) Paid or accrued management fees of $75,000 (2014 - $62,500) to a company controlled by a director of the Company.

c) Paid or accrued rent of $36,300 (2014 - $36,300) to a company controlled by a director of the Company.

d) Paid or accrued directors' fees of $20,000 (2014 - $15,000) to two directors of the Company.

e) Paid or accrued professional fees of $48,676 (2014 - $17,288) to a legal firm of which an officer of the Company is a partner.

f) Paid or accrued consulting fees of $nil (2014 - $6,000) to a company controlled by a director of the Company.

As at January 31, 2015, accounts payable and accrued liabilities included $6,666 (July 31, 2014 - $17,016) owing to directors 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, 2015	January 31, 2014
Short-term benefits	$ 165,000	$ 152,500

11. COMMITMENTS

a) The Company leases office premises under an operating lease from a company controlled by a director. The lease provides for basic lease payments of $6,050 per month to March 2018 as follows:

2015	$ 36,300
2016	72,600
2017	72,600
2018	48,400
	$ 229,900

b) The Company entered into management and consulting contracts with two companies, each 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 directors and officers companies.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	January 31, 2015	January 31, 2014
Cash paid for income taxes	$ 2,694,750	$ -
Cash paid for interest	$ -	$ -

There were no significant non-cash transactions for the six months ended January 31, 2015.

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

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. INCOME TAX EXPENSE AND RECOVERY

The Company has recorded an income tax expense from the Company's operations. The current income tax rate for Canadian companies located in the Province of British Columbia is 26%. The income tax expense for the six months ended January 31, 2015 was $882,952 (2014 - $1,188,000).

During the six months ended January 31, 2015, the Company paid income tax of $2,202,010 relating to the income tax payable of $2,556,000 recorded at July 31, 2014. Subsequent to the year ended July 31, 2014, the Company had a change in estimates relating to certain tax credits it had accumulated from earlier operations in Australia and, as a result, the Company recorded an income tax recovery of $353,990 during the six months ended January 31, 2015.

15. 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.

(Expressed in Canadian Dollars)

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

The following is an analysis of the Company's financial instruments measured using the fair value hierarchy as at January 31, 2015 and July 31, 2014:

	As at January 31, 2015		
	Level 1	**Level 2**	**Level 3**
Cash and equivalents	$ 337,651	$ -	$ -
Short-term investments	$ 19,240,257	$ -	$ -

	As at July 31, 2014		
	Level 1	**Level 2**	**Level 3**
Cash and equivalents	$ 1,754,167	$ -	$ -
Short-term investments	$ 16,001,512	$ -	$ -

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 equivalents 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, 2015, the Company had a cash and equivalents balance of $337,651 (July 31, 2014 - $1,754,167) and short-term investments of $19,240,257 (July 31, 2014 - $16,001,512) to settle current liabilities of $494,168 (July 31, 2014 - $2,629,968). 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 and equivalents 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 on the Company's short-term investments is approximately $192,000.

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

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 on the Company's royalty receivable is approximately $18,000. The Company does not currently hedge exchange risk. The majority of expenditures 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.

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

16. PROFESSIONAL FEES

During the six months ended January 31, 2015, the Company incurred professional fees of $278,426 (2014 - $52,361). The increased professional fees were for legal fees relating to the Notice of Civil Claim brought against the Company (Note 17) and, for legal fees paid to the Company's Australian legal counsel pursuant to the ongoing maintenance of the Company's royalty permits, tax matters and other related issues.

17. CONTINGENCY

The Company has been served with a Notice of Civil Claim (the "Claim") brought under the B.C. Class Proceedings Act and filed in the British Columbia Supreme Court. The Claim has not yet been certified as a class proceeding and as such no trial date has been determined.

The Claim alleges that the Company failed to generally disclose a material change in its affairs relating to a royalty held by the Company on certain oil and gas properties in Australia. The Company believes that the claim is without merit, and intends to vigorously defend the claim.

18. SHAREHOLDER RIGHTS PLAN

On May 13, 2014, the TSX Venture Exchange accepted for filing the Company's adoption of a Rights Plan which received shareholder approval at the 2014 Annual General Meeting held on November 12, 2014. The Rights Plan is designed to encourage the fair treatment of shareholders in connection with any takeover bid made for the Company. Pursuant to the terms of the Rights Plan, any bids that meet certain criteria intended to protect the interest of all shareholders are deemed to be "Permitted Bids". In the event that a bid, other than a Permitted Bid is made, shareholders other than those involved in the take-over bid will be entitled to exercise rights to acquire common shares of the Company at a discount to the market price. The Rights Plan will remain in effect for one year from the date of shareholder approval on November 12, 2014.

19. NORMAL COURSE ISSUER BID

During the six months ended January 31, 2015, the Company received approval from the TSX Venture Exchange for a normal course issuer bid for up to 4,025,444 shares of the Company over a period of one year which commenced September 2, 2014, and will continue until the earlier of August 31, 2015 or the date by which the Company has acquired the maximum 4,025,444 shares. During the six months ended January 31, 2015, the Company repurchased 2,229,000 shares of the Company for $786,373. During the six months ended January 31, 2015, 2,129,000 of these shares were cancelled. Subsequent to January 31, 2015, the Company cancelled the remaining 100,000 shares. No shares were repurchased subsequent to January 31, 2015.

20. SUBSEQUENT EVENTS

Subsequent to January 31, 2015, the Company:

- was notified of, and received, its 2.5% gross overriding petroleum royalty income for the second quarter of fiscal 2015, a total of $1,762,782 (AUD $1,791,809);
- announced a special cash dividend of $0.10 per common share to shareholders of the Company. The dividend will be distributed to the Company's shareholders pursuant to the TSX Venture Exchange's due bill trading policy. The record date to determine shareholders of the Company entitle to receive the dividend is April 2, 2015, and the due bill redemption date is April 20, 2015; and
- received $784,000, pursuant to the exercise of 5,600,000 share purchase warrants.