NEWPORT EXPLORATION LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

JULY 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Newport Exploration Ltd.

We have audited the accompanying financial statements of Newport Exploration Ltd., which comprise the statements of financial position as at July 31, 2016 and 2015 and the statements of net income and comprehensive net income, cash flows, changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Newport Exploration Ltd. as at July 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

November 10, 2016

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Davidson-co.com

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

	July 31, 2016	July 31, 2015
ASSETS		
Current		
Cash	$ 243,698	$ 909,372
Receivables (Note 4)	1,015,005	2,943,389
Income tax receivable (Note 14)	2,290,862	3,072,837
Prepaid expenses	6,869	5,269
Short-term investments	2,770,549	11,910,544
	6,326,983	18,841,411
Equipment (Note 5)	3,107	4,896
Exploration and evaluation asset (Note 6)	2,079,870	2,079,370
	$ 8,409,960	$ 20,925,677
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 8)	$ 87,641	$ 112,161
Income tax payable (Note 14)	-	5,655,463
	87,641	5,767,624
Shareholders' equity		
Capital stock (Note 9)	45,939,732	45,393,732
Reserves (Note 9)	2,028,553	1,810,559
Deficit	(39,645,966)	(32,046,238)
	8,322,319	15,158,053
	$ 8,409,960	$ 20,925,677

Nature of operations (Note 1)
Commitments (Note 11)
Contingency (Note 16)
Normal course issuer bid (Note 17)
Dividends (Note 19)
Subsequent events (Note 20)

"Ian Rozier"	Director	"Barbara Dunfield"	Director
Ian Rozier		Barbara Dunfield	

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

NEWPORT EXPLORATION LTD.
STATEMENTS OF NET INCOME AND COMPREHENSIVE NET INCOME
YEARS ENDED JULY 31,
(Expressed in Canadian Dollars)

	2016	2015
EXPENSES		
Administration fees	$ 43,423	$ 32,445
Amortization (Note 5)	3,052	1,580
Consulting fees	358,222	180,000
Directors' fees	40,000	40,000
Foreign exchange (gain) loss	169,217	123,797
Management fees	242,500	190,000
Office and miscellaneous	85,596	44,712
Professional fees	581,015	382,647
Rent	70,166	72,600
Shareholder communications	13,478	13,198
Share-based payments (Note 9)	217,994	392,571
Transfer agent and filing fees	24,098	33,556
Travel and related costs	107,863	63,446
Loss from operations	(1,956,624)	(1,570,552)
OTHER INCOME		
Interest income	132,392	262,071
Petroleum royalty (Note 7)	4,398,918	6,672,374
	4,531,310	6,934,445
Net income before income taxes	2,574,686	5,363,893
Income tax recovery (Note 14)	-	353,990
Income tax expense (Note 14)	(941,427)	(3,465,579)
	(941,427)	(3,111,589)
Net income and comprehensive net income for the year	$ 1,633,259	$ 2,252,304
Earnings per common share:		
Basic	$ 0.02	$ 0.03
Diluted	$ 0.02	$ 0.02
Weighted average number of common shares outstanding:		
Basic (Note 9)	90,997,907	81,903,299
Diluted (Note 9)	96,837,921	92,204,574

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

NEWPORT EXPLORATION LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31,
(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	$ 1,633,259	$ 2,252,304
Items not affecting cash:		
Amortization	3,052	1,580
Share-based payments	217,994	392,571
Accrued interest receivable on short-term investments	(82,177)	(129,817)
Income tax recovery	-	(353,990)
Change in non-cash working capital items:		
Decrease (increase) in receivables	1,928,384	(2,504,733)
Decrease in income tax receivable	781,975	-
Increase in prepaid expenses	(1,600)	(5,269)
Increase (decrease) in accounts payable and accrued liabilities	(25,783)	38,193
Increase (decrease) in income tax payable	(5,655,463)	3,453,453
Net cash provided by (used in) operating activities	(1,200,359)	3,144,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation asset	(500)	(1,932)
Cash provided by short-term investments	9,222,172	4,220,785
Cash provided by short-term investments less expenditures	9,221,672	4,218,853
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	546,000	1,416,500
Repurchase of capital stock	-	(786,373)
Dividend distribution	(9,232,987)	(8,838,067)
Cash used in financing activities	(8,686,987)	(8,207,940)
Decrease in cash during the year	(665,674)	(844,795)
Cash, beginning of year	909,372	1,754,167
Cash, end of year	$ 243,698	$ 909,372

Supplemental disclosure with respect to cash flows (Note 12)

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

NEWPORT EXPLORATION LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Capital Stock								
	Number		**Amount**		**Reserves**		**Deficit**		**Total**
Balance at July 31, 2014	80,508,874	$	44,761,493	$	1,420,100	$	(25,460,475)	$	20,721,118
Share repurchase	(2,229,000)		(786,373)		-		-		(786,373)
Exercise of warrants	10,100,000		1,414,000		-		-		1,414,000
Exercise of options	50,000		2,500		-		-		2,500
Reallocation of reserves on the exercise of options	-		2,112		(2,112)		-		-
Dividend distribution	-		-		-		(8,838,067)		(8,838,067)
Net income for the year	-		-		-		2,252,304		2,252,304
Share-based payments	-		-		392,571		-		392,571
Balance at July 31, 2015	88,429,874		45,393,732		1,810,559		(32,046,238)		15,158,053
Exercise of warrants	3,900,000		546,000		-		-		546,000
Dividend distribution	-		-		-		(9,232,987)		(9,232,987)
Net income for the year	-		-		-		1,633,259		1,633,259
Share-based payments	-		-		217,994		-		217,994
Balance at July 31, 2016	92,329,874	$	45,939,732	$	2,028,553	$	(39,645,966)	$	8,322,319

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

1. NATURE OF OPERATIONS

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 exploration and evaluation 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. Any such future royalty receipts are treated as fortuitous.

The Company's head office and principal address is 501 – 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 financial statements were authorized for issue on November 10, 2016 by the directors of the Company.

Basis of preparation

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS`) as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

Critical accounting estimates, judgments and assumption

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

ii) The inputs used in calculating the fair value for share-based payments expense included in profit or loss and stock-based share issuance costs included in shareholders' equity. The share-based payments expense is estimated using the Black-Scholes pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Critical accounting estimates, judgments and assumption (cont'd)

iii) The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

iv) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

v) The value of Australian income tax is an estimate based on 30% of royalty income during the period, less applicable deductible expenses. Deductible expenses are estimated based on time spent on deriving the natural resource income. Quarterly withholding tax of 30% is a requirement for Australian tax purposes.

Cash and equivalents

Cash and equivalents consist of cash and short-term investments with original maturity dates of less than ninety days or that are fully redeemable without penalty or loss of interest.

Royalty income

Royalty income is recognized upon sale by the licensee of royalty-bearing petroleum, when realization is considered probable, and collection is reasonably assured.

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined to be the Canadian dollar for the Company. Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in a currency other than the Canadian dollar are translated at the exchange rate at the reporting date, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of net income and comprehensive net income in the year in which they arise.

Short-term investments

Short-term investments include Canadian guaranteed investment certificates with a major Canadian Banking Institution with original maturity dates greater than ninety days. These investments are stated at fair value.

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of net income and comprehensive net income. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Exploration and evaluation expenditures (cont'd)

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Equipment

Equipment is carried at cost. Amortization is recorded at the following annual rates:

Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance

Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. When the options are exercised, the applicable amounts of option reserves are transferred to capital stock.

Income per share

Basic income per share is calculated by dividing the income attributable to common shareholders by the weighted average number of common shares outstanding in the year. For all periods presented, the income attributable to common shareholders equals the reported income attributable to owners of the Company. In calculating the diluted income per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of net income and comprehensive net income.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of net income and comprehensive net income.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of net income and comprehensive net income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of net income and comprehensive net income.

Other financial liabilities: This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and equivalents and short-term investments as fair value through profit or loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial instruments (cont'd)

Financial liabilities (cont'd)

Financial instruments measures at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

See Note 15 for relevant disclosures.

Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of net income and comprehensive net income.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. A reversal of an impairment loss is recognized immediately in the statement of net income and comprehensive net income.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Income taxes (cont'd)

Current income tax (cont'd):

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided using the statement of financial position liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the income taxes relate to the same taxable entity and the same taxation authority.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets, when those obligations result from the acquisition, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of net income and comprehensive net income.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

(Expressed in Canadian Dollars)

3. NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

As of August 1, 2015, the Company adopted the following accounting policies:

IFRS 7 (Amendment) Financial Instruments: Disclosure

The amendment to IFRS 7, Financial Instruments: Disclosure, clarifies requirements for mandatory effective dates and transition disclosures. The adoption of this amendment has no effect on the Company's financial statements.

Several other new standards and amendments became effective for the first time in fiscal 2016, however, they are not applicable to the financial statements of the Company.

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:

IFRS 9 Financial Instruments
IFRS 10 Consolidated Financial Statements
IFRS 15 Revenues from Contracts with Customers
IAS 12 Income Taxes
IAS 1 Presentation of Financial Statements

4. RECEIVABLES

Trade and other receivables are comprised of the following:

		July 31, 2016		July 31, 2015
GST receivable	$	17,586	$	1,441
Petroleum royalty (Note 7)		990,042		2,751,845
Insurance recoveries (Note 16)		-		189,423
Other		7,377		680
Total	$	1,015,005	$	2,943,389

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Furniture and fixtures	Computer equipment	Total
Cost			
Balance, July 31, 2014, 2015	$ 21,758	$ 46,291	$ 68,049
Additions	-	1,263	1,263
Balance, July 31, 2016	$ 21,758	$ 47,554	$ 69,312
Accumulated amortization			
Balance, July 31, 2014	$ 21,357	$ 40,216	$ 61,573
Amortization	80	1,500	1,580
Balance, July 31, 2015	21,437	41,716	63,153
Amortization	65	2,987	3,052
Balance, July 31, 2016	$ 21,502	$ 44,703	$ 66,205
Carrying amounts			
As at July 31, 2015	$ 321	$ 4,575	$ 4,896
As at July 31, 2016	$ 256	$ 2,851	$ 3,107

6. EXPLORATION AND EVALUATION ASSET

During the year ended July 31, 2014, the Company acquired a 100% interest in Chu Chua, a sulphide deposit located north of Kamloops, British Columbia. In consideration, the Company paid Grosvenor Resource Corporation (formerly Reva Resources Corp.) (“Grosvenor”) $1,500,000 and issued 5,436,000 common shares of the Company at a value of $217,440. The 100% acquisition agreement supercedes and replaces an earlier 50% earn-in agreement wherein the Company incurred a total of $335,012 in expenditures. 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 year ended July 31, 2015. During the year ended July 31, 2016, the Company incurred $500 for permitting. The claims are in good standing as at July 31, 2016. There are two separate 1% net smelter returns on Chu Chua to underlying parties. Two significant shareholders of Grosvenor are directors of the Company.

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% gross overriding royalty interest on any hydrocarbons discovered on certain petroleum exploration licences in Australia. During the year ended July 31, 2016, the Company earned $4,398,918 (2015 - $6,672,374) of petroleum royalty income, of which the Company has $990,042 (2015 - $2,751,845) included in receivables as at July 31, 2016 (notified of the July 31, 2016 fourth quarter receivable of AUD $999,808 subsequent to July 31, 2016). The receipt of royalty payments is considered to be highly variable, and as such these payments are not indicative of additional near-term income or any future income.

(Expressed in Canadian Dollars)

7. PETROLEUM ROYALTY (cont'd)

During the year ended July 31, 2016, the Australian Tax Office ("ATO") ruled that the Company's petroleum royalty income is taxable in Australia and, as such, the Company has 30% withheld at source by Beach Energy Ltd ("Beach") and Santos Ltd ("Santos"), for which Beach and Santos are required to remit to the ATO. The Company files annual tax returns in Australia and has applied for income tax refunds previously remitted to the Canada Revenue Agency.

Subsequent to July 31, 2016, the Company received its Royalty receivable, net of applicable Australian withholding taxes (Note 20).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2016	July 31, 2015
Trade payables	$ 60,897	$ 76,215
Due to related parties (Note 10)	6,666	6,946
Accrued liabilities	20,078	29,000
Total	$ 87,641	$ 112,161

9. CAPITAL STOCK AND RESERVES

a) Authorized share capital

As at July 31, 2016, the authorized share capital of the Company is an unlimited number of common shares without par value.

Basic and diluted per share amounts have been calculated based on the following:

	July 31, 2016	July 31, 2015
Weighted average number of common shares - basic	90,997,907	81,903,299
Effect of outstanding stock options	4,270,446	4,912,029
Effect of outstanding warrants	1,569,568	5,389,246
Weighted average number of common shares - diluted	96,837,921	92,204,574

Only the "in-the-money" dilutive instruments impact the calculation of dilutive income per common share. Other than common shares, all equity instruments are excluded when calculating diluted loss per share as they are anti-dilutive when in a loss position.

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

During the year ended July 31, 2016, the Company received $546,000 pursuant to the exercise of 3,900,000 warrants.

(Expressed in Canadian Dollars)

9. CAPITAL STOCK AND RESERVES (cont'd)

a) Authorized share capital (cont'd)

During the year ended July 31, 2015, the Company received $1,416,500 pursuant to the exercise of 10,100,000 warrants and 50,000 stock options. The Company reclassified $2,112 from reserves to capital stock pursuant to the exercise of stock options.

During the year ended July 31, 2015, the Company purchased and cancelled 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 17).

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 8,842,987 common shares of the Company to be issued from the treasury upon exercise of the stock options. 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.

Details of options outstanding as at July 31, 2016 are as follows:

Number of Options	Exercise Price	Expiry Date
5,800,000	$0.05	December 19, 2018
1,700,000	$0.335	December 13, 2019
1,300,000	$0.255	October 8, 2020
8,800,000		

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, July 31, 2014	5,850,000	$	0.050
Granted	1,700,000		0.335
Exercised	(50,000)		0.050
Balance, July 31, 2015	7,500,000		0.115
Granted	1,300,000		0.255
Balance, July 31, 2016	8,800,000	$	0.135
Number of options exercisable	8,800,000	$	0.135

(Expressed in Canadian Dollars)

9. CAPITAL STOCK AND RESERVES (cont'd)

c) Share-based payments

During the year ended July 31, 2016, the Company granted stock options to directors, officers and consultants to acquire up to 1,300,000 (2015 – 1,700,000) common shares with a grant date fair value of $0.255 (2015 - $0.23) per option resulting share-based payments expense of $217,994 (2015 - $392,571), using the Black-Scholes option pricing model.

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 year:

	2016	2015
Risk-free interest rate	0.86%	1.31%
Expected life of options	5 years	5 years
Annualized volatility	83.61%	88.75%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

d) Warrants

Details of warrants outstanding as at July 31, 2016 are as follows:

Number of Warrants	Exercise Price	Expiry Date
6,000,000	$0.14	March 7, 2019

Warrant transactions are summarized as follows:

	Number of Warrants		Exercise Price
Balance, July 31, 2014	20,000,000	$	0.14
Exercised	(10,100,000)		0.14
Balance, July 31, 2015	9,900,000		0.14
Exercised	(3,900,000)		0.14
Balance, July 31, 2016	6,000,000	$	0.14

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

During the year ended July 31, 2016, the Company entered into the following transactions with related parties:

a) Paid consulting fees of $342,250 (2015 - $180,000) (inclusive of bonuses) to a company controlled by a director of the Company.

b) Paid management fees of $242,500 (2015 - $190,000) (inclusive of bonuses) to a company controlled by a director of the Company.

c) Paid rent of $70,166 (2015 - $72,600) to a company controlled by a director of the Company.

d) Paid or accrued directors' fees of $40,000 (2015 - $40,000) to two directors of the Company.

e) Paid or accrued professional fees of $6,363 (2015 - $53,181) to a legal firm of which an officer of the Company is a partner.

f) Recorded share-based payment expense of $176,072 (2015 - $381,025) in conjunction with the granting of stock options to directors and officers of the Company.

As at July 31, 2016, accounts payable and accrued liabilities included $6,666 (2015 - $6,946) 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 (consisting of the CEO and CFO):

	July 31, 2016	July 31, 2015
Fees for services	$ 584,750	$ 370,000
Share-based payments	$ 100,613	$ 207,832

11. COMMITMENTS

The Company has management and consulting contracts with a company controlled by Barbara Dunfield, a director and CFO of the Company, and a company controlled by Ian Rozier, a director and CEO of the Company. The Company pays the companies a combined total of $31,750 per month. These contracts remain in force on a continuous basis and can be terminated by the Company with 90 days written notice. If termination of services of either or both companies is without cause, the Company will be obligated to pay 36 months of service fees to either or both companies.

Additionally, the Company entered into a professional and administrative consulting contract that pays the consultant $5,000 per month. The contract remains in force on a continuous basis and 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 12 months of service fees to the consultant.

(Expressed in Canadian Dollars)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	July 31, 2016	July 31, 2015
Cash received for interest	$ 97,354	$ 254,980
Cash paid for income taxes	$ 6,912,076	$ 3,111,589
Cash paid for interest	$ -	$ -

During the year ended July 31, 2016, the Company incurred $1,263 of equipment additions in accounts payable and accrued liabilities.

During the year ended July 31, 2015, the Company reclassified $2,112 from reserves to capital stock pursuant to the exercise of 50,000 stock options.

13. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of resource properties. The Company's mineral property is in Canada and the Company's royalty income is derived from Australia.

14. INCOME TAXES

During the year ended July 31, 2016, the Company recorded an income tax recovery of $Nil (2015 - $353,990), resulting from a change in tax estimates on its Canadian tax return.

The reconciliation of the combined Canadian federal and provincial income tax rate to the income tax recovery presented in the accompanying statements of comprehensive loss is provided below:

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2016	2015
Net income before income taxes	$ 2,574,686	$ 5,363,893
Expected tax expense	$ 640,427	$ 1,341,987
Change in statutory rate and other	(36,000)	5,375
Non-deductible expenditures and non-taxable revenues	55,000	98,217
Change in unrecognized deductible temporary differences	282,000	2,020,000
Total income taxes	$ 941,427	$ 3,465,579

(Expressed in Canadian Dollars)

14. INCOME TAXES (cont'd)

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

		2016		2015	Expiry date range
Temporary differences:					
Exploration and evaluation asset	$	697,000	$	827,000	No expiry
Equipment	$	259,000	$	257,000	No expiry
Allowable capital losses	$	12,286,000	$	12,286,000	No expiry
Share issuance costs	$	5,000	$	8,000	2037-2038
Non-capital losses	$	2,834,000	$	2,834,000	2016-2036

During the year ended July 31, 2016, the Company received a private tax ruling from the Australian Tax Office (the "ATO") indicating that the Company's annual 2.5% gross overriding petroleum royalties received from Beach, current and past, (net of applicable expenses) is subject to withholding tax in Australia. The Company has accepted the tax ruling from the ATO and, has since lodged its Australian tax returns for current and past taxes. At July 31, 2015, the Company recognized Australian income taxes payable of $5,655,463 related to the ATO tax ruling, these taxes were paid during the year ended July 31, 2016. The Company's Australian income tax receivable at July 31, 2016 was $90,935, this amount is derived from the Company's income tax liability of $297,013 (Note 20) and, Australian income taxes receivable of $387,948 (2015 - $Nil) relating to its 2016 Australian income tax return. The Company amended its Canadian tax returns and applied for a refund of taxes previously remitted to the CRA in the amount of $3,072,837. During the year ended July 31, 2016, the Company received a refund of $872,910, with the balance of $2,199,927 (2015 - $3,072,837) receivable at year end.

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.

The following is an analysis of the Company's financial instruments measured using the fair value hierarchy as at July 31, 2016 and 2015:

	As at July 31, 2016					
	Level 1		**Level 2**		**Level 3**	
Cash	$	243,698	$	-	$	-
Short-term investments	$	2,770,549	$	-	$	-

	As at July 31, 2015					
	Level 1		**Level 2**		**Level 3**	
Cash	$	909,372	$	-	$	-
Short-term investments	$	11,910,544	$	-	$	-

15. 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 and equivalents, short-term investments and receivables. Management believes that the credit risk concentration with respect to financial instruments is remote because cash and equivalents and short-term investments are held with reputable Canadian financial institutions. Receivables consist mainly of the Company's royalty income. The royalty income comes from one company, and is typically received within 30 days after the quarter of production. The Company does not consider any of its current receivables past due. The Company believes any credit risk associated with its receivables is remote due to the historical success of collecting receivables.

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 July 31, 2016, the Company had a cash balance of $243,698 (2015 - $909,372), receivables of $1,015,005 (2015 - $2,943,389) and short-term investments of $2,770,549 (2015 - $11,910,544) to settle current liabilities of $87,641 (2015 - $5,767,624). 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 and short-term investments. 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 $27,000.

b) Foreign currency risk

   The Company is exposed to foreign currency risk with respect to its petroleum royalty payment and its income tax payable which are denominated in Australian dollars. The net effect of a 1% change in exchange rates between the Australian dollar and Canadian dollar foreign exchange is approximately $7,000. The Company does not currently hedge exchange risk. The majority of its 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 amount of any possible petroleum royalty payment 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.

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

Capital management

The Company's objectives when managing capital is to pursue the exploration and evaluation 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 shareholders' 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 monitors its expenditures against its available capital.

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

16. CONTINGENCY

The Company was served with a Notice of Civil Claim brought under the B.C. Class Proceedings Act (the "Action") and filed in the British Columbia Supreme Court.

The Action was dismissed prior to certification as a class proceeding. In connection therewith, the plaintiff settled for a sum of $105,000 which amount has been represented to the Company as being less than half of the legal fees and disbursements incurred by the plaintiff.

The Company remains of the view that the allegations raised against it in the Action were completely without merit. The settlement was determined to be in the best interests of the Company as it ended the litigation process and associated costs which allowed the Company to focus entirely on its businesses without unproductive distraction.

As part of the Company's insurance, Newport paid for certain legal fees relating to the Action that were reimbursed by the insurance agency. As at July 31, 2016, $Nil (2015 - $189,423) is included in receivables.

17. NORMAL COURSE ISSUER BID

During the year ended July 31, 2015, the Company received TSX Venture Exchange approval for a normal course issuer bid for up to 4,025,444 shares of the Company over a period of one year from September 2, 2014, until August 31, 2015 (extended to August 31, 2016) or the date by which the Company acquired the maximum 4,025,444 shares. During the year ended July 31, 2016, the Company repurchased, and cancelled, Nil (2015 - 2,229,000) shares of the Company for $Nil (2015 - $786,373). Subsequent to August 31, 2016, the normal course issuer bid lapsed.

18. LEGAL PROCEEDINGS

On December 9, 2015, the Company commenced legal proceedings against Beach and Great Artesian Oil and Gas Pty Ltd ("GAOG"), as Beach and GAOG had, in Newport's view, improperly and without any valid reason, refused to make the outstanding Royalty payments in the order of AUD $4,265,942 due to the Company for the months of February 2015 to October 2015 despite resolution of the withholding tax issue. On December 14, 2015, the Company received its outstanding Royalty payments. During the year ended July 31, 2016, the Company discontinued its legal proceedings.

19. DIVIDENDS

On March 19, 2015, the Company announced that the board of directors approved the payment of a one-time special dividend of $0.10 per common share (the "Special Dividend"). The Special Dividend was payable to shareholders of record as of the close of business on April 2, 2015, resulting in a distribution of $8,838,067 on April 15, 2015. The dividend was distributed to the Company's shareholders pursuant to the TSX Venture Exchange's due bill trading policy. The due bill redemption date was April 20, 2015.

On June 6, 2016, the Company announced that the board of directors approved the payment of a one-time special dividend of $0.10 per common share. The Special Dividend was payable to shareholders of record as of the close of business on June 23, 2016, resulting in a distribution of $9,232,987 on July 7, 2016. The dividend was distributed to the Company's shareholders pursuant to the TSX Venture Exchange's due bill trading policy. The due bill redemption date was July 12, 2016.

20. SUBSEQUENT EVENTS

Subsequent to July 31, 2016, the Company:

a) was notified by Beach of its 2.5% gross overriding petroleum royalty income for the fourth quarter of fiscal 2016 was a total of $935,093 (AUD $973,752);
b) was notified by Santos of its 2.5% gross overriding petroleum royalty income for the months of June and July 2016 was a total of $25,802 (AUD $26,056); and
c) received $684,305 (AUD $699,866), which represents its Royalty receivable of AUD $999,808, less 30% withholding tax of AUD $299,942.