



NEWPORT

EXPLORATION LTD.

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

APRIL 30, 2020

These unaudited condensed interim financial statements of Newport Exploration Ltd. for the nine months ended April 30, 2020 have been prepared by management and approved by the Board of Directors. These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

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

	April 30, 2020	July 31, 2019
ASSETS		
Current		
Cash and equivalents	\$ 4,861,337	\$ 2,967,459
Receivables (Note 3)	3,088,862	2,894,230
Prepaid expenses	14,442	7,369
Short-term investments	<u>1,109,214</u>	<u>3,974,165</u>
	9,073,855	9,843,223
Long-term investments	-	1,018,233
Equipment	13,797	5,497
Exploration and evaluation asset (Note 4)	<u>1</u>	<u>1</u>
	<u>\$ 9,087,653</u>	<u>\$ 10,866,954</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 14,046	\$ 122,964
Income tax payable (Note 11)	<u>715,792</u>	<u>500,591</u>
	<u>729,838</u>	<u>623,555</u>
Shareholders' equity		
Capital stock (Note 7(a))	47,420,898	47,420,898
Reserves (Note 7(c))	2,406,378	1,792,287
Deficit	<u>(41,469,461)</u>	<u>(38,969,786)</u>
	<u>8,357,815</u>	<u>10,243,399</u>
	<u>\$ 9,087,653</u>	<u>\$ 10,866,954</u>

Nature of operations (Note 1)

Commitments (Note 9)

Dividends (Note 13)

Subsequent event (Note 13)

<u>“Ian Rozier”</u> Ian Rozier	Director	<u>“Barbara Dunfield”</u> Barbara Dunfield	Director
-----------------------------------	----------	---	----------

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

NEWPORT EXPLORATION LTD.**CONDENSED INTERIM STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME**

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended April 30, 2020	Three Months Ended April 30, 2019	Nine Months Ended April 30, 2020	Nine Months Ended April 30, 2019
EXPENSES				
Administration fees	\$ 3,600	\$ 3,600	\$ 10,800	\$ 10,800
Amortization	913	327	2,742	546
Consulting	126,000	135,000	393,800	405,000
Directors' fees	20,000	20,000	60,000	60,000
Exploration expenses	-	-	4,536	500
Foreign exchange loss	38,374	21,052	130,909	57,448
Management fees	87,000	87,000	261,000	261,000
Office and miscellaneous	30,910	33,535	93,722	96,582
Professional fees	25,921	22,515	71,003	75,073
Rent	19,091	22,500	75,939	67,500
Shareholder communications	25,450	1,785	34,575	3,773
Share-based payments	-	-	614,091	-
Transfer agent and filing fees	11,477	8,624	20,815	24,627
Travel and related costs	8,462	32,249	79,826	101,161
Loss from operations	<u>(397,198)</u>	<u>(388,187)</u>	<u>(1,853,758)</u>	<u>(1,164,010)</u>
OTHER INCOME				
Interest income	24,105	34,667	77,937	77,433
Petroleum royalty (Note 5)	2,959,013	2,245,048	9,035,718	6,810,775
	<u>2,983,118</u>	<u>2,279,715</u>	<u>9,113,655</u>	<u>6,888,208</u>
Net income before income taxes	<u>2,585,920</u>	<u>1,891,528</u>	<u>7,259,897</u>	<u>5,724,198</u>
Income tax expense (Note 11)	<u>(803,187)</u>	<u>(594,291)</u>	<u>(2,449,482)</u>	<u>(1,808,534)</u>
Net income and comprehensive net income for the period	<u>\$ 1,782,733</u>	<u>\$ 1,297,237</u>	<u>\$ 4,810,415</u>	<u>\$ 3,915,664</u>
Earnings per common share:				
Basic	\$ 0.02	\$ 0.01	\$ 0.05	\$ 0.04
Diluted	0.02	0.01	0.05	0.04
Weighted average number of common shares outstanding:				
Basic	104,429,874	103,537,358	104,429,874	100,885,790
Diluted	104,776,139	103,710,902	104,775,187	100,958,096

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

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	\$ 4,810,415	\$ 3,915,664
Items not affecting cash:		
Amortization	2,742	546
Interest income	(77,937)	(77,433)
Income tax expense	2,449,482	1,808,534
Foreign exchange	32,268	99,570
Share-based payments (stock option grant)	614,091	-
Change in non-cash working capital items:		
Decrease (increase) in receivables	(220,742)	565,516
Decrease in prepaid expenses	(7,073)	(6,869)
Decrease in accounts payable and accrued liabilities	(106,918)	(29,818)
Interest received	77,339	68,695
Income taxes paid	<u>(2,225,017)</u>	<u>(1,944,428)</u>
Net cash provided by operating activities	<u>5,348,650</u>	<u>4,399,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(13,042)	(4,371)
Investment redemptions (purchases), net	<u>3,868,360</u>	<u>(1,073,244)</u>
Cash provided by (used in) investing activities	<u>3,855,318</u>	<u>(1,077,615)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(7,310,090)	(5,153,194)
Issuance of common shares	<u>-</u>	<u>1,194,500</u>
Net cash used in financing activities	<u>(7,310,090)</u>	<u>(3,958,694)</u>
Change in cash and equivalents during the period	1,893,878	(636,332)
Cash and equivalents, beginning of period	<u>2,967,459</u>	<u>2,407,300</u>
Cash and equivalents, end of period	<u>\$ 4,861,337</u>	<u>\$ 1,770,968</u>

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

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

	<u>Capital Stock</u>				
	Number	Amount	Reserves	Deficit	Total
Balance at July 31, 2018	92,329,874	\$ 45,939,732	\$ 2,078,953	\$ (39,422,597)	\$ 8,596,088
Dividend distribution	-	-	-	(5,153,194)	(5,153,194)
Net income for the period	-	-	-	3,915,664	3,915,664
Shares issued pursuant to option exercise	6,100,000	641,166	(286,666)	-	354,500
Shares issued pursuant to warrant exercise	<u>6,000,000</u>	<u>840,000</u>	<u>-</u>	<u>-</u>	<u>840,000</u>
Balance at April 30, 2019	104,429,874	\$ 47,420,898	\$ 1,792,287	\$ (41,957,364)	\$ 8,553,058
Balance at July 31, 2019	104,429,874	\$ 47,420,898	\$ 1,792,287	\$ (38,969,786)	\$ 10,243,399
Dividend distribution	-	-	-	(7,310,090)	(7,310,090)
Net income for the period	-	-	-	4,810,415	4,810,415
Share-based payments	<u>-</u>	<u>-</u>	<u>614,091</u>	<u>-</u>	<u>614,091</u>
Balance at April 30, 2020	104,429,874	\$ 47,420,898	\$ 2,406,378	\$ (41,469,461)	\$ 8,357,815

The accompanying notes are an integral part of these condensed interim 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 asset. Based on the information available to date, the Company has not determined whether its exploration and evaluation asset contains ore reserves. Recoverability of the carrying amount of the exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The Company, receives royalty payments related to a retained interest in certain petroleum licenses in Australia (note 5). 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 payments from its 2.5% gross overriding petroleum royalty. The receipt of royalty payments are not indicative of additional near-term income or any future income as the Company has no information to support or validate the expectation of future receipt. Any future royalty receipt is treated as fortuitous.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments adversely affects workforces, economies, and financial markets globally, leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

These unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has financed its operations primarily by equity financing and from the receipt of royalty payments. The Company currently has cash and equivalents and short term investments totalling \$5,970,551 and net working capital of \$8,344,017 which the Company believes is sufficient to fund its current operations in the foreseeable future. In the longer term, additional equity or possibly debt financing may be necessary to fund any future exploration and general and administrative activities if royalty payments are not sufficient to fund such activities.

The Company’s head office and principal address is 202 – 2168 Marine Drive, West Vancouver, British Columbia, Canada, V7V 1K3. The Company’s registered and records office is 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

2. STATEMENT OF COMPLIANCE AND NEW ACCOUNTING STANDARDS

These unaudited condensed interim financial statements were authorized for issue on June 25, 2020 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, 2019.

2. STATEMENT OF COMPLIANCE AND NEW ACCOUNTING STANDARDS (cont'd)

New Accounting Standards Adopted during the period

IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16 – Leases, which will supersede IAS 17 – Leases. The standard introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and it has the right to direct the use of the asset.

The right-of-use asset is subsequently amortized from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

IFRS 16 has changed how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Applying IFRS 16 for all except for short-term leases and leases of low-value assets, the Company will (1) recognize 'right-of-use' assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments discounted at the incremental borrowing rate; (ii) recognize depreciation of right-of-use assets and interest on lease liabilities in the statement of earnings; and (iii) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted. The Company has taken the exemptions related to short-term and low-value asset leases. Leases to explore for or use of minerals are not in the scope of the standard.

The Company adopted IFRS 16 using the modified retrospective basis and did not restate comparative amounts. However, the adoption of IFRS 16 had no impact on the financial statements on the date of adoption.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
APRIL 30, 2020

3. RECEIVABLES

Trade and other receivables are comprised of the following:

	April 30, 2020	July 31, 2019
GST receivable	\$14,064	\$ 14,242
Petroleum royalty (Note 5)	3,053,564	2,867,249
Other	21,234	12,739
Total	\$ 3,088,862	\$ 2,894,230

Information about the Company's exposure to credit risk and market risk for the Petroleum Royalty is included in Note 12.

4. 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 ("Grosvenor") \$1,500,000 and issued 5,436,000 common shares of the Company having a fair value of \$217,440. The acquisition agreement supercedes and replaces an earlier 50% earn-in agreement wherein the Company incurred a total of \$335,012 in expenditures. There are two separate 1% net smelter returns on Chu Chua to underlying parties. A significant shareholder of Grosvenor is a director of Newport. During the year ended July 31, 2018, the Company determined it had no current plans for exploration on the property and impaired it to its recoverable amount of \$1. Accordingly, the Company recorded an impairment charge of \$2,082,080 to operations during the year ended July 31, 2018.

5. PETROLEUM ROYALTY

Under the terms of an agreement in 2002 for the sale of CVL Resources (Barbados) Ltd. (formerly a wholly-owned subsidiary of the Company), the Company retained a 2.5% gross overriding royalty interest on any hydrocarbons discovered on certain petroleum exploration licences in Australia. During the nine months ended April 30, 2020, the Company earned \$9,035,718 (2019 - \$6,810,775) of petroleum royalty income, of which \$3,053,564 (July 31, 2019 - \$2,867,249) is included in receivables as at April 30, 2020. Subsequent to April 30, 2020, the Company received AUD\$2,355,366 which represents the royalty receivable net of a 30% withholding tax of AUD\$1,009,443. 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 future income.

During the year ended July 31, 2016, the Australian Tax Office ("ATO") ruled the Company's petroleum royalty income is taxable in Australia hence, the Company has 30% of its royalty payment withheld at source by Beach Energy Ltd ("Beach") and Santos Ltd ("Santos"), and remitted to the ATO. The Company files annual tax returns in Australia.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
APRIL 30, 2020

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2020	July 31, 2019
Trade payables	\$ 364	\$ 10,282
Due to related parties (Note 8)	13,332	13,332
Accrued liabilities	350	99,350
Total	\$ 14,046	\$ 122,964

The Company's exposure to liquidity risk is included in Note 12.

7. CAPITAL STOCK AND RESERVES

a) Authorized share capital

As at April 30, 2020, 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:

	April 30, 2020	April 30, 2019
Weighted average number of common shares - basic	104,429,874	100,885,790
Effect of outstanding stock options	345,313	72,306
Effect of outstanding warrants	-	-
Weighted average number of common shares - diluted	104,775,187	100,958,096

Only the "in-the-money" dilutive instruments impact the calculation of dilutive income per common share.

During the nine months ended April 30, 2019, the Company received proceeds of \$1,194,500 from the exercise of 6,000,000 warrants and 6,100,000 stock options. In conjunction with the exercise of stock options, the Company reclassified \$286,666 to capital stock from contributed surplus.

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 10% (10,442,987) of the issued and outstanding 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. Regulatory authorities permit options to be granted up to a maximum term of 10 years but vesting periods are determined by the Board of Directors.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
APRIL 30, 2020

7. CAPITAL STOCK AND RESERVES (cont'd)

b) Stock options (cont'd)

Details of options outstanding as at April 30, 2020 are as follows:

Number of Options	Exercise Price	Expiry Date
1,300,000	\$0.255	October 8, 2020
<u>9,075,000</u>	\$0.40	December 26, 2024
10,375,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2018	9,050,000	\$ 0.14
Exercised	<u>(6,100,000)</u>	0.06
Balance, July 31, 2019	2,950,000	0.30
Granted	9,075,000	0.40
Expired	<u>(1,650,000)</u>	0.34
Balance, April 30, 2020	10,375,000	\$ 0.38
Number of options exercisable	10,375,000	\$ 0.38

c) Share-based payments

During the nine months ended April 30, 2020, the Company granted 9,075,000 stock options to directors, officers and consultants of the Company, with a grant date fair value of \$0.39 per option resulting in share-based payments expense of \$614,091, using the Black-Scholes option pricing model.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
APRIL 30, 2020

7. 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 nine months ended April 30, 2020:

	2020
Risk-free interest rate	1.62%
Expected life of options	5 years
Annualized volatility	67.16%
Dividend rate	16%
Forfeiture rate	0%

d) Warrants

There are no warrants outstanding at April 30, 2020.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2018	6,000,000	\$ 0.14
Exercised	<u>(6,000,000)</u>	0.14
Balance, July 31, 2019 & April 30, 2020	-	\$ -

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
APRIL 30, 2020

8. RELATED PARTY TRANSACTIONS

The aggregate value of transactions with key management personnel, consisting of the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and members of the board of directors, for compensation are as follows:

	April 30, 2020	April 30, 2019
Management fees	\$ 261,000	\$ 261,000
Consulting fees	378,000	378,000
Share-based payments	536,272	-
Directors fees	60,000	60,000

In addition, during the nine months ended April 30, 2020, the Company entered into the following transactions with related parties:

- a) Reimbursed rent (at cost) of \$75,939 (2019 - \$67,500) to a company controlled by a director of the Company.
- b) Paid or accrued professional fees of \$2,457 (2019 - \$9,733) to a legal firm of which an officer of the Company was a partner.

As at April 30, 2020, accounts payable and accrued liabilities included \$13,332 (July 31, 2019 - \$13,332) owing to directors of the Company.

9. COMMITMENTS

The Company has management and consulting contracts with a company controlled by Ian Rozier, a director and CEO of the Company, and a company controlled by Barbara Dunfield, a director and CFO of the Company. The Company pays the companies a combined total of \$71,000 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.

10. 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.

11. INCOME TAXES

The Australian Tax Office (the "ATO") has ruled that the Company's royalties received from Beach and Santos, current and past, (net of applicable expenses) are subject to withholding tax in Australia. The Company had a net Australian income tax liability at April 30, 2020 of \$715,792 (July 31, 2019 - \$500,591) which consists of accrued withholding taxes on its Royalty receivable at April 30, 2020 of \$916,069 (July 31, 2019 - \$860,175) and accrued Australian income tax receivable of \$200,277 (July 31, 2019 - \$359,584). During the nine months ended April 30, 2020, the Company received its July 31, 2019 Australian income tax receivable.

12. 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 cash and equivalents, receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. The fair value of short term investments was \$1,109,214 at April 30, 2020 (July 31, 2019 - \$3,974,165), a level 1 fair value measurement.

Financial risk factors

The Company's Board of Directors has the overall responsibility for the established method and oversight of the Company's risk management framework.

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 financial 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, the carrying value totalling \$9,059,413, represents the Company's maximum exposure to credit risk. 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 April 30, 2020, the Company had a cash and equivalents balance of \$4,861,337 (July 31, 2019 - \$2,967,459), receivables of \$3,088,862 (July 31, 2019 - \$2,894,230) and short-term investments of \$1,109,214 (July 31, 2019 - \$3,974,165) to settle current liabilities of \$729,838 (July 31, 2019 - \$623,555). All of the Company's financial liabilities are subject to normal payment terms.

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

Financial risk factors (cont'd)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

a) Interest rate risk

The Company has cash 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 on net income and comprehensive income of a 1% change in interest rates is approximately \$8,100.

b) Foreign currency risk

The Company is exposed to foreign currency risk with respect to its petroleum royalty payment, and its net income tax payable which are denominated in Australian dollars. The net effect on net income and comprehensive income of a 1% change in exchange rates between the Australian dollar and Canadian dollar foreign exchange is approximately \$17,400. The Company does not currently hedge exchange risk.

Capital management

Newport's objective is 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.

Newport 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 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.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
APRIL 30, 2020

13. DIVIDENDS

On May 13, 2020, the Company announced a quarterly dividend of \$0.01 per common share. The quarterly dividend was paid to shareholders of record at the close of business on May 28, 2020, resulting in a distribution of \$1,044,299 on June 10, 2020.

On February 10, 2020, the Company announced a quarterly dividend of \$0.01 per common share. The quarterly dividend was paid to shareholders of record at the close of business on February 24, 2020, resulting in a distribution of \$1,044,299 on March 6, 2020.

On September 16, 2019, the Company announced the payment of a one-time special dividend of \$0.06 per common share. The special dividend of \$6,265,792 was paid to shareholders of record at the close of business on September 25, 2019.

On September 27, 2018, the Company announced the payment of a one-time special dividend of \$0.05 per common share. The special dividend of \$5,153,194 was paid to shareholders of record at the close of business on October 12, 2018.