



NEWPORT

EXPLORATION LTD.

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

SIX MONTHS ENDED JANUARY 31, 2016

These unaudited condensed interim financial statements of Newport Exploration Ltd. for the six months ended January 31, 2016 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, 2016	July 31, 2015 (Audited)
ASSETS		
Current		
Cash and equivalents	\$ 721,851	\$ 909,372
Receivables (Note 3)	1,305,289	2,943,389
Income tax receivable (Note 12)	3,072,837	3,072,837
Prepaid expenses	20,606	5,269
Short-term investments	<u>9,896,276</u>	<u>11,910,544</u>
	15,016,859	18,841,411
Equipment	3,370	4,896
Exploration and evaluation asset (Note 4)	<u>2,079,870</u>	<u>2,079,370</u>
	<u>\$ 17,100,099</u>	<u>\$ 20,925,677</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 322,739	\$ 112,161
Income tax payable (Note 12)	<u>114,655</u>	<u>5,655,463</u>
	<u>437,394</u>	<u>5,767,624</u>
Shareholders' equity		
Capital stock (Note 7)	45,939,732	45,393,732
Reserves (Note 7)	2,028,553	1,810,559
Deficit	<u>(31,305,580)</u>	<u>(32,046,238)</u>
	<u>16,662,705</u>	<u>15,158,053</u>
	<u>\$ 17,100,099</u>	<u>\$ 20,925,677</u>

Nature of operations (Note 1)
Commitments (Note 9)
Contingency (Note 14)
Normal course issuer bid (Note 15)
Dividend (Note 16)
Subsequent events (Notes 18 and 19)

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, 2016	Three Months Ended January 31, 2015	Six Months Ended January 31, 2016	Six Months Ended January 31, 2015
EXPENSES				
Administration fees	\$ 9,433	\$ 5,250	\$ 15,423	\$ 10,500
Amortization	763	395	1,526	790
Consulting fees	212,722	45,000	257,722	90,000
Directors' fees	10,000	10,000	20,000	20,000
Foreign exchange loss	232,126	18,449	154,720	73,710
Management fees	115,000	37,500	152,500	75,000
Office and miscellaneous	15,686	13,357	25,905	21,932
Professional fees (Note 17)	396,728	125,248	460,329	278,426
Rent	12,000	18,150	26,050	36,300
Shareholder communications	3,076	1,639	6,279	3,515
Share-based payments	-	392,571	217,994	392,571
Transfer agent and filing fees	5,283	14,551	8,859	20,694
Travel and related costs	5,470	16,167	56,909	23,821
Loss from operations	<u>(1,018,287)</u>	<u>(698,277)</u>	<u>(1,404,216)</u>	<u>(1,047,259)</u>
OTHER INCOME				
Interest income	39,119	93,015	111,320	184,012
Petroleum royalty (Note 5)	1,240,687	1,734,292	2,535,765	3,893,431
	<u>1,279,806</u>	<u>1,827,307</u>	<u>2,647,085</u>	<u>4,077,443</u>
Net income before income taxes	<u>261,519</u>	<u>1,129,030</u>	<u>1,242,869</u>	<u>3,030,184</u>
Income tax recovery (Note 12)	-	-	-	353,990
Income tax expense (Note 12)	(113,688)	(390,212)	(502,211)	(882,952)
	<u>(113,688)</u>	<u>(390,212)</u>	<u>(502,211)</u>	<u>(528,962)</u>
Net income and comprehensive net income for the period	<u>\$ 147,831</u>	<u>\$ 738,818</u>	<u>\$ 740,658</u>	<u>\$ 2,501,222</u>
Earnings per common share:				
Basic	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.03
Diluted	0.00	0.01	0.01	0.03
Weighted average number of common shares outstanding:				
Basic	90,958,445	78,412,483	89,680,417	78,396,178
Diluted	97,518,356	95,136,502	96,610,066	96,432,779

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)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	\$ 740,658	\$ 2,501,222
Items not affecting cash:		
Amortization	1,526	790
Share-based payments	217,994	392,571
Accrued interest on short-term investments	(98,066)	(261,482)
Income tax recovery	-	(353,990)
Change in non-cash working capital items:		
Decrease in receivables	1,638,100	1,735,532
Increase in prepaid expenses	(15,337)	(23,781)
Increase in accounts payable and accrued liabilities	210,578	28,720
Decrease in income tax payable	<u>(5,540,808)</u>	<u>(1,810,530)</u>
Net cash provided by (used in) operating activities	<u>(2,845,355)</u>	<u>2,209,052</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation asset	(500)	(1,932)
Short-term investments	<u>2,112,334</u>	<u>(2,977,263)</u>
Cash provided by (used in) investing activities	<u>2,111,834</u>	<u>(2,979,195)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	546,000	140,000
Repurchase of capital stock	-	(751,873)
Purchase of treasury shares	<u>-</u>	<u>(34,500)</u>
Cash provided by (used in) financing activities	<u>546,000</u>	<u>(646,373)</u>
Decrease in cash and equivalents during the period	(187,521)	(1,416,516)
Cash and equivalents, beginning of period	<u>909,372</u>	<u>1,754,167</u>
Cash and equivalents, end of period	\$ 721,851	\$ 337,651
Cash and equivalents consists of:		
Cash	\$ 721,851	\$ 310,053
Guaranteed Investment Certificates (less than 90 days)	<u>-</u>	<u>27,598</u>
	\$ 721,851	\$ 337,651

Supplemental disclosure with respect to cash flows (Note 10)

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

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

	Capital Stock						
	Number	Shares	Treasury Stock	Reserves	Deficit	Total	
Balance at July 31, 2014	80,508,874	\$ 44,761,493	\$ -	\$ 1,420,100	\$ (25,460,475)	\$ 20,721,118	
Net income for the period	-	-	-	-	2,501,222	2,501,222	
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	
Balance at January 31, 2015	79,379,874	\$ 44,149,620	\$ (34,500)	\$ 1,812,671	\$ (22,959,253)	\$ 22,968,538	
Balance at July 31, 2015	88,429,874	\$ 45,393,732	\$ -	\$ 1,810,559	\$ (32,046,238)	\$ 15,158,053	
Net income for the period	-	-	-	-	740,658	740,658	
Exercise of warrants	3,900,000	546,000	-	-	-	546,000	
Share-based payments	-	-	-	217,994	-	217,994	
Balance at January 31, 2016	92,329,874	\$ 45,939,732	\$ -	\$ 2,028,553	\$ (31,305,580)	\$ 16,662,705	

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 (“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 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. STATEMENT OF COMPLIANCE AND NEW ACCOUNTING STANDARDS

These unaudited condensed interim financial statements were authorized for issue on March 30, 2016 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, 2015.

New Accounting Standards

On August 1, 2015, the Company adopted the “Amendment to IFRS 7 Financial Instruments: Disclosure”. There were no adjustments required on the adoption of this amendment.

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.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
JANUARY 31, 2016

3. RECEIVABLES

Trade and other receivables are comprised of the following:

	January 31, 2016	July 31, 2015
GST receivable	\$ 19,076	\$ 1,441
Petroleum royalty (Note 5)	1,252,591	2,751,845
Insurance recoveries (Note 14)	-	189,423
Interest	33,622	680
Total	\$ 1,305,289	\$ 2,943,389

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 Reva Resources Corp. (“Reva”) \$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 six months ended January 31, 2016, the Company incurred \$500 for permitting. The claims are in good standing as at January 31, 2016. There are two separate 1% net smelter returns on Chu Chua to underlying parties. Two significant shareholders of Reva are directors of the Company.

5. 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 six months ended January 31, 2016, the Company earned \$2,535,765 (2015 - \$3,893,431) of Royalty income. The Company has Royalty income of \$1,252,591 (July 31, 2015 - \$2,751,845) included in receivables as at January 31, 2016 (notified of the January 31, 2016 quarter receivable of AUD \$1,266,395 subsequent to January 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.

During the six months ended January 31, 2016, the Australian Tax Office (“ATO”) ruled that the Company’s Royalty income is subject to a 30% withholding tax in Australia. Beach is required to remit the withholding tax 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 January 31, 2016, the Company received its Royalty receivable, net of applicable Australian withholding taxes (Note 19).

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2016	July 31, 2015
Trade payables	\$ 220,225	\$ 76,215
Due to related parties (Note 8)	8,514	6,946
Accrued liabilities	94,000	29,000
Total	\$ 322,739	\$ 112,161

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.

7. CAPITAL STOCK AND RESERVES

a) Authorized share capital

As at January 31, 2016, 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, 2016, the Company received \$546,000 pursuant to the exercise of 3,900,000 warrants.

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 15).

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 9,232,987 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.

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

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

Details of options outstanding as at October 31, 2015 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
<u>1,300,000</u>	\$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	<u>(50,000)</u>	0.050
Balance, July 31, 2015	7,500,000	\$ 0.115
Granted	<u>1,300,000</u>	0.255
Balance, January 31, 2016	8,800,000	\$ 0.135
Number of options exercisable	8,800,000	\$ 0.135

c) Share-based payments

During the six months ended January 31, 2016, the Company granted stock options to directors, officers and a consultant 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 in share-based payments expense of \$217,994 (2015 - \$392,571), using the Black-Scholes option pricing model.

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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 period:

	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 January 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, January 31, 2016	6,000,000	\$ 0.14

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8. RELATED PARTY TRANSACTIONS

During the six months ended January 31, 2016, the Company entered into the following transactions with related parties:

- a) Paid consulting fees of \$241,750 (2015 - \$90,000) to a company controlled by a director of the Company.
- b) Paid management fees of \$152,500 (2015 - \$75,000) to a company controlled by a director of the Company.
- c) Paid rent of \$26,050 (2015 - \$36,300) to a company controlled by a director of the Company.
- d) Paid or accrued directors' fees of \$20,000 (2015 - \$20,000) to two directors of the Company.
- e) Paid or accrued professional fees of \$6,363 (2015 - \$48,676) 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 October 31, 2015, accounts payable and accrued liabilities included \$7,778 (July 31, 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):

	January 31, 2016	January 31, 2015
Fees for services	\$ 394,250	\$ 165,000
Share-based payments	\$ 100,613	\$ 207,832

9. COMMITMENTS

The Company has 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 \$31,750 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.

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10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	January 31, 2016	January 31, 2015
Cash paid for income taxes	\$ 5,879,714	\$ 2,202,010
Cash paid for interest	\$ 69,677	\$ -

There were no significant non-cash transactions for the six months ended January 31, 2016 and 2015.

11. 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.

12. INCOME TAXES

During the six months ended January 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 Energy Ltd., current and past, (net of applicable expenses) is subject to withholding tax in Australia. Subject to a 30% withholding tax, the Company has accepted the tax ruling from the ATO and, has since lodged its Australian tax returns for current and past taxes. During the six months ended January 31, 2016, the Company paid Australian income taxes of AUD 5,899,175 and interest of AUD 103,587. At the date of this report, Management has not received a final tax assessment from the ATO for the applicable years, it estimates the tax liability to be approximately \$Nil (July 31, 2015 - \$5,655,463), and its interest liability to be \$Nil (July 31, 2015 - \$Nil) and, as such, has accrued these amounts in the financial statements. The Company has begun the process to amend its Canadian tax returns and apply for a refund of taxes previously remitted to the CRA in the amount of \$3,072,837. The Company has recorded a receivable (separate from the Australian tax accrual) of this amount in the financial statements.

During the six months ended January 31, 2015, the Company recorded an income tax recovery of \$353,990, resulting from a change in tax estimates on its Canadian tax return.

13. 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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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13. 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, 2016 and July 31, 2015:

	As at January 31, 2016		
	Level 1	Level 2	Level 3
Cash and equivalents	\$ 721,851	\$ -	\$ -
Short-term investments	\$ 9,896,276	\$ -	\$ -

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

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 January 31, 2016, the Company had a cash and equivalents balance of \$721,851 (July 31, 2015 - \$909,372), receivables of \$1,305,289 (July 31, 2015 - \$2,943,389) and short-term investments of \$9,896,276 (July 31, 2015 - \$11,910,544) to settle current liabilities of \$437,394 (July 31, 2015 - \$5,767,624). All of the Company's financial liabilities are subject to normal trade terms.

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (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. 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 \$99,000.

b) Foreign currency risk

The Company is exposed to foreign currency risk with respect to its 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 \$12,500. The Company does not currently hedge exchange risk. The majority of transactions are denominated in Canadian dollars.

c) Price risk

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the Royalty received and the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

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.

14. 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.

A settlement was reached in advance of a certification application hearing and the Action has been dismissed against the Company. 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 to date by the plaintiff.

While 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 ends the litigation process and associated future costs and allows the Company to focus entirely on its businesses without unproductive distraction.

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

15. NORMAL COURSE ISSUER BID

During the year ended July 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 (subsequently extended to August 31, 2016) or the date by which the Company has acquired the maximum 4,025,444 shares. During the year ended July 31, 2015, the Company repurchased, and cancelled, 2,229,000 shares of the Company for \$786,373.

16. DIVIDEND

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.

17. PROFESSIONAL FEES

During the six months ended January 31, 2016, the Company incurred professional fees of \$460,329 (2015 - \$278,426). The increased professional fees were paid to the Company’s Australian legal counsel for legal proceedings against Beach (Note 18), and to oversee the Company’s petroleum royalty Deeds, permits and tax issues (Note 12).

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. Subsequent to January 31, 2016, the Company discontinued its legal proceedings.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
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19. SUBSEQUENT EVENTS

Subsequent to January 31, 2016, the Company:

- a) was notified its 2.5% gross overriding petroleum royalty income for the three months ended January 31, 2016 was a total of \$1,240,687 (AUD \$1,266,395); and
- b) received AUD \$886,477 from Beach, which represents its Royalty receivable of AUD \$1,266,395, less 30% withholding tax of AUD \$379,919.