



NEWPORT

EXPLORATION LTD.

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

NINE MONTHS ENDED APRIL 30, 2018

These unaudited condensed interim financial statements of Newport Exploration Ltd. for the nine months ended April 30, 2018 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, 2018	July 31, 2017 (Audited)
ASSETS		
Current		
Cash and equivalents	\$ 411,377	\$ 258,196
Receivables (Note 3)	1,632,375	1,123,048
Prepaid expenses	13,738	6,869
Short-term investments	<u>5,050,406</u>	<u>2,770,723</u>
	7,107,896	4,158,836
Equipment	224	959
Exploration and evaluation asset (Note 4)	<u>2,082,081</u>	<u>2,080,370</u>
	\$ 9,190,201	\$ 6,240,165

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 21,154	\$ 46,827
Income tax payable (Note 11)	<u>278,229</u>	<u>71,622</u>
	<u>299,383</u>	<u>118,449</u>
Shareholders' equity		
Capital stock (Note 7)	45,939,732	45,939,732
Reserves (Note 7)	2,078,953	2,037,237
Deficit	<u>(39,127,867)</u>	<u>(41,855,253)</u>
	<u>8,890,818</u>	<u>6,121,716</u>
	\$ 9,190,201	\$ 6,240,165

Nature of operations (Note 1)

Commitments (Note 9)

Dividends (Note 13)

_____ "Ian Rozier" Ian Rozier	Director	_____ "Barbara Dunfield" Barbara Dunfield	Director
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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 April 30, 2018	Three Months Ended April 30, 2017	Nine Months Ended April 30, 2018	Nine Months Ended April 30, 2017
EXPENSES				
Administration fees	\$ 5,500	\$ 7,800	\$ 21,250	\$ 24,567
Amortization	245	537	735	1,611
Bonus	-	-	-	125,000
Consulting fees	135,000	60,000	286,000	163,750
Directors' fees	20,000	15,000	51,666	36,668
Foreign exchange (gain) loss	25,452	(28,046)	76,919	21,195
Management fees	87,000	55,500	208,500	149,000
Office and miscellaneous	34,023	26,494	88,573	77,034
Professional fees	21,600	19,500	77,692	91,000
Rent	19,500	19,500	58,500	51,000
Shareholder communications	1,152	2,269	3,266	5,764
Share-based payments	-	8,684	41,716	8,684
Transfer agent and filing fees	7,876	8,774	18,677	18,350
Travel and related costs	29,395	17,950	62,159	100,947
Loss from operations	<u>(386,743)</u>	<u>(213,962)</u>	<u>(995,653)</u>	<u>(874,570)</u>
OTHER INCOME				
Interest income	22,365	80,730	59,328	112,763
Petroleum royalty (Note 5)	1,655,012	889,947	4,928,318	3,421,621
	<u>1,677,377</u>	<u>970,677</u>	<u>4,987,646</u>	<u>3,534,384</u>
Net income before income taxes	<u>1,290,634</u>	<u>756,715</u>	<u>3,991,993</u>	<u>2,659,814</u>
Income tax expense (Note 11)	<u>(409,216)</u>	<u>(206,954)</u>	<u>(1,264,607)</u>	<u>(853,181)</u>
Net income and comprehensive net income for the period	<u>\$ 881,418</u>	<u>\$ 549,761</u>	<u>\$ 2,727,386</u>	<u>\$ 1,806,633</u>
Earnings per common share:				
Basic	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.02
Diluted	0.01	0.01	0.03	0.02
Weighted average number of common shares outstanding:				
Basic	92,329,874	92,329,874	92,329,874	92,329,874
Diluted	99,904,129	100,088,921	99,637,523	100,021,236

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)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	\$ 2,727,386	\$ 1,806,633
Items not affecting cash:		
Amortization	735	1,611
Interest income	(59,328)	(112,763)
Income tax expense	1,264,607	853,181
Foreign exchange	23,162	15,709
Share-based payments	41,716	8,684
Change in non-cash working capital items:		
Increase in receivables	(514,619)	34,851
Increase in prepaid expenses	(6,869)	(6,869)
Decrease in accounts payable and accrued liabilities	(25,673)	(70,293)
Interest received	45,207	76,187
Income taxes paid	<u>(1,057,619)</u>	<u>(666,569)</u>
Net cash provided by operating activities	<u>2,438,705</u>	<u>1,940,362</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation asset	(1,711)	(500)
Short-term investments	<u>(2,283,813)</u>	<u>22,100</u>
Cash provided by (used in) investing activities	<u>(2,285,524)</u>	<u>21,600</u>
Increase in cash and equivalents during the period	153,181	1,961,962
Cash and equivalents, beginning of period	<u>258,196</u>	<u>243,698</u>
Cash and equivalents, end of period	<u>\$ 411,377</u>	<u>\$ 2,205,660</u>
Cash and equivalents consists of:		
Cash	\$ 411,377	\$ 1,205,660
Guaranteed Investment Certificates (less than 90 days)	<u>-</u>	<u>1,000,000</u>
	<u>\$ 411,377</u>	<u>\$ 2,205,660</u>

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

	Capital Stock				
	Number	Shares	Reserves	Deficit	Total
Balance at July 31, 2016	92,329,874	\$ 45,939,732	\$ 2,028,553	\$ (39,645,966)	\$ 8,322,319
Net income for the period	-	-	-	1,806,633	1,806,633
Share-based payments	-	-	8,684	-	8,684
Balance at April 30, 2017	92,329,874	\$ 45,939,732	\$ 2,037,237	\$ (37,839,333)	\$ 10,137,636
Balance at July 31, 2017	92,329,874	\$ 45,939,732	\$ 2,037,237	\$ (41,855,253)	\$ 6,121,716
Net income for the period	-	-	-	2,727,386	2,727,386
Share-based payments	-	-	41,716	-	41,716
Balance at April 30, 2018	92,329,874	\$ 45,939,732	\$ 2,078,953	\$ (39,127,867)	\$ 8,890,818

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 exploration and evaluation asset. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation asset contains 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. STATEMENT OF COMPLIANCE AND NEW ACCOUNTING STANDARDS

These unaudited condensed interim financial statements were authorized for issue on June 14, 2018 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, 2017.

Future Accounting Pronouncements

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 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which will supersede IAS 18 – Revenue and related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Corporation intends to adopt IFRS 15 in its financial statements for the annual period beginning on August 1, 2018.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
APRIL 30, 2018

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

IFRS 9 – Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The Corporation intends to adopt IFRS 9 in its financial statements for the annual period beginning on August 1, 2018.

IFRS 16 – Leases

On January 13, 2016 the IASB issued IFRS 16 – Leases, which will supersede IAS 17 – Leases. The standard introduces 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. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on August 1, 2019.

3. RECEIVABLES

Trade and other receivables are comprised of the following:

	April 30, 2018	July 31, 2017
GST receivable	\$ 14,843	\$ 9,450
Petroleum royalty (Note 5)	1,617,445	1,112,533
Interest income	87	1,065
Total	\$ 1,632,375	\$ 1,123,048

4. EXPLORATION AND EVALUATION ASSET

The Company acquired a 100% interest in Chu Chua, a sulphide deposit located north of Kamloops, British Columbia in 2014 from Grosvenor Resource Corporation (“Grosvenor”) for a consideration of \$1,500,000 and 5,436,000 common shares with 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. The Company incurred \$24,986 of geological consulting expenditures on Chu Chua in 2014, and \$1,932 for assaying costs in 2015. In the years ended July 31, 2016 and 2017, the Company incurred \$500 for permitting. In the nine months ended April 30, 2018, the Company incurred \$1,711 for claim maintenance. The claims are in good standing as at April 30, 2018. There are two separate 1% net smelter returns on Chu Chua to underlying parties. A significant shareholder of Grosvenor is a director of the Company.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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5. PETROLEUM ROYALTY

Pursuant to 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 nine months ended April 30, 2018, the Company earned \$4,928,318 (2017 - \$3,421,621) of petroleum royalty income, of which \$1,617,445 (July 31, 2017 - \$1,112,533) is included in receivables as at April 30, 2018. Subsequent to April 30, 2018, the Company received AUD\$1,168,070 which represents the royalty receivable net of a 30% withholding tax of AUD\$500,602. 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.

The Australian Tax Office (“ATO”) ruled that the Company’s Royalty income is taxable in Australia and, as such, 30% of the Company’s Royalty payment is withheld and remitted to the ATO. The Company files annual tax returns in Australia.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	April 30, 2018	July 31, 2017
Trade payables	\$ 7,472	\$ 6,477
Due to related parties (Note 8)	13,332	10,000
Accrued liabilities	350	30,350
Total	\$ 21,154	\$ 46,827

7. CAPITAL STOCK AND RESERVES

a) Authorized share capital

As at April 30, 2018, 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, 2018	April 30, 2017
Weighted average number of common shares - basic	92,329,874	92,329,874
Effect of outstanding stock options	4,677,741	4,800,010
Effect of outstanding warrants	2,629,908	2,891,352
Weighted average number of common shares - diluted	99,637,523	100,021,236

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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7. CAPITAL STOCK AND RESERVES (cont'd)

b) Stock options

The Company has an incentive stock option plan (the "Plan") in place under which it is authorized to grant options for directors and employees to acquire up to 10% (9,232,987) of the issued and outstanding common shares of the Company. 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 April 30, 2018 are as follows:

Number of Options	Exercise Price	Expiry Date
5,800,000	\$0.05	December 19, 2018
1,650,000	\$0.335	December 13, 2019
1,300,000	\$0.255	October 8, 2020
50,000	\$0.27	March 1, 2022
<u>300,000</u>	\$0.215	December 19, 2022
9,100,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2016	8,750,000	\$ 0.13
Granted	<u>50,000</u>	0.27
Balance, July 31, 2017	8,800,000	0.14
Granted	<u>300,000</u>	0.22
Balance, April 30, 2018	9,100,000	\$ 0.14
Number of options exercisable	9,100,000	\$ 0.14

c) Share-based payments

During the nine months ended April 30, 2018, the Company granted 300,000 stock options to a director of the company, with a grant date fair value of \$0.215 per option resulting in share-based payments expense of \$41,716, using the Black-Scholes option pricing model.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
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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 nine months ended April 30, 2018:

	2018	2017
Risk-free interest rate	1.80%	1.17%
Expected life of options	5 years	5 years
Annualized volatility	80.24%	80.62%
Dividend rate	0%	0%
Forfeiture rate	0%	0%

d) Warrants

Details of warrants outstanding as at April 30, 2018 are as follows:

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

No warrants were issued or exercised during the year ended July 31, 2017 and the nine months ended April 30, 2018.

8. RELATED PARTY TRANSACTIONS

Payments to 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, 2018	April 30, 2017
Consulting fees	\$ 268,000	\$ 163,750
Management fees	208,500	149,000
Bonuses	-	125,000
Share-based payments	41,716	-
Directors fees	51,666	36,668

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
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8. RELATED PARTY TRANSACTIONS (cont'd)

In addition, during the nine months ended April 30, 2018, the Company entered into the following transactions with related parties:

- a) Paid rent of \$58,500 (2017 - \$51,000) to a company controlled by a director of the Company.
- b) Paid or accrued professional fees of \$607 (2017 - \$1,671) to a legal firm of which an officer of the Company is a partner.

As at April 30, 2018, accounts payable and accrued liabilities included \$13,332 (July 31, 2017 - \$10,000) owing to directors of the Company.

9. COMMITMENTS

Newport has management and consulting contracts with a company controlled by Ian Rozier, a director and CEO, and a company controlled by Barbara Dunfield, a director and CFO. The companies are paid a combined total of \$71,000 per month and the contracts remain in force on a continuous basis but can be terminated by Newport with three months written notice. If Newport terminates services of either or both companies, Newport will be obligated to pay 36 months of service fees to either or both companies.

Additionally, on January 3, 2018, the Company entered into a consulting agreement with a company controlled by a former director of the Company, which pays \$3,000 per month through to December 31, 2018. If termination of services prior to December 31, 2018, the Company will be obligated to pay service fees to the consultant as though the agreement terminated on December 31, 2018.

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 TAX EXPENSE

The Company received a private tax ruling from the Australian Tax Office (the "ATO") indicating 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 an Australian income tax liability at April 30, 2018 of \$485,234 (July 31, 2017 - \$333,760), Australian income taxes receivable of \$Nil (July 31, 2017 - \$262,138) relating to its 2017 Australian income tax return and, current Australian taxes receivable of \$207,005.

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, 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 \$4,952,394 at April 30, 2018 (July 31, 2017 - \$2,770,723), a level 1 fair value measurement.

Financial risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short-term investments and receivables, the carrying value totalling \$7,094,158, 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 short-term investments are held with reputable Canadian financial institutions. Receivables consist mainly of the Company's royalty income. The royalty income mainly 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, 2018, the Company had a cash balance of \$411,377 (July 31, 2017 - \$258,196), receivables of \$1,632,375 (July 31, 2017 - \$1,123,048) and short-term investments of \$5,050,406 (July 31, 2017 - \$2,770,723) to settle current liabilities of \$299,383 (July 31, 2017 - \$118,449). All of the Company's financial liabilities are subject to normal trade terms.

Market risk

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

a) Interest rate risk

The Company has cash balances and short-term investments. The Company's current policy is to invest excess cash in investment-grade deposits certificates issued by its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of its banks. The effect on net income and comprehensive net income of a 1% change in interest rates is approximately \$51,000.

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

Financial risk factors (cont'd)

b) Foreign currency risk

The Company is exposed to foreign currency risk with respect to its petroleum royalty payment, its income tax receivable and its income tax payable which are denominated in Australian dollars. The net effect on net income and comprehensive net income of a 1% change in exchange rates between the Australian dollar and Canadian dollar foreign exchange is approximately \$13,000. The Company does not currently hedge exchange risk.

c) Price risk

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

Capital management

Newport's objectives when managing capital is to pursue the exploration and evaluation of its mineral property, possibly 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.

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.

13. DIVIDENDS

On July 7, 2017, the Company paid a Special Dividend of \$0.05 per common share to shareholders, resulting in a distribution of \$4,616,494.

On July 6, 2016, the Company paid a Special Dividend of \$0.10 per common share to shareholders, resulting in a distribution of \$9,232,987.