



NEWPORT

EXPLORATION LTD.

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

JANUARY 31, 2019

These unaudited condensed interim financial statements of Newport Exploration Ltd. for the six months ended January 31, 2019 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, 2019	July 31, 2018
ASSETS		
Current		
Cash and equivalents	\$ 571,622	\$ 2,407,300
Receivables (Note 3)	1,973,959	2,929,934
Prepaid expenses	20,606	6,869
Short-term investments	<u>4,949,801</u>	<u>3,871,997</u>
	7,515,988	9,216,100
Equipment	4,152	-
Exploration and evaluation asset (Note 4)	<u>1</u>	<u>1</u>
	<u>\$ 7,520,141</u>	<u>\$ 9,216,101</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 26,137	\$ 54,016
Income tax payable (Note 11)	<u>429,423</u>	<u>565,997</u>
	<u>455,560</u>	<u>620,013</u>
Shareholders' equity		
Capital stock (Note 7(a))	47,229,658	45,939,732
Reserves (Note 7(c))	1,792,287	2,078,953
Deficit	<u>(41,957,364)</u>	<u>(39,422,597)</u>
	<u>7,064,581</u>	<u>8,596,088</u>
	<u>\$ 7,520,141</u>	<u>\$ 9,216,101</u>

Nature of operations (Note 1)

Commitments (Note 9)

Dividends (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 January 31, 2019	Three Months Ended January 31, 2018	Six Months Ended January 31, 2019	Six Months Ended January 31, 2018
EXPENSES				
Administration fees	\$ 3,600	\$ 7,950	\$ 7,200	\$ 15,750
Amortization	219	245	219	490
Consulting	135,000	91,000	270,000	151,000
Directors' fees	20,000	16,666	40,000	31,666
Exploration expenses	500	-	500	-
Foreign exchange (gain) loss	(45,785)	19,842	36,396	51,467
Management fees	87,000	66,000	174,000	121,500
Office and miscellaneous	40,781	28,862	63,047	54,550
Professional fees	33,427	29,033	52,558	56,092
Rent	22,500	19,500	45,000	39,000
Shareholder communications	652	715	1,988	2,114
Share-based payments	-	41,716	-	41,716
Transfer agent and filing fees	11,808	6,148	16,003	10,801
Travel and related costs	19,382	11,748	68,912	32,764
Loss from operations	<u>(329,084)</u>	<u>(339,425)</u>	<u>(775,823)</u>	<u>(608,910)</u>
OTHER INCOME				
Interest income	28,212	20,517	42,766	36,963
Petroleum royalty (Note 5)	1,959,189	1,924,740	4,565,727	3,273,306
	<u>1,987,401</u>	<u>1,945,257</u>	<u>4,608,493</u>	<u>3,310,269</u>
Net income before income taxes	<u>1,658,317</u>	<u>1,605,832</u>	<u>3,832,670</u>	<u>2,701,359</u>
Income tax expense (Note 11)	<u>(505,983)</u>	<u>(510,012)</u>	<u>(1,214,243)</u>	<u>(855,391)</u>
Net income and comprehensive net income for the period	<u>\$ 1,152,334</u>	<u>\$ 1,095,820</u>	<u>\$ 2,618,427</u>	<u>\$ 1,845,968</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	103,063,874	92,329,874	99,369,070	92,329,874
Diluted	103,641,384	99,617,723	100,008,037	99,496,836

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)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	\$ 2,618,427	\$ 1,845,968
Items not affecting cash:		
Amortization	219	490
Interest income	(42,766)	(36,963)
Income tax expense	1,214,243	855,391
Foreign exchange	108,575	34,063
Share-based payments	-	41,716
Change in non-cash working capital items:		
Decrease (increase) in receivables	850,683	(843,366)
Decrease in prepaid expenses	(13,737)	(13,737)
Increase (decrease) in accounts payable and accrued liabilities	(27,879)	10,732
Interest received	68,695	35,723
Income taxes paid	<u>(1,365,868)</u>	<u>(475,181)</u>
Net cash provided by operating activities	<u>3,410,592</u>	<u>1,454,836</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation asset	-	(1,711)
Purchase of equipment	(4,371)	-
Short-term investment purchases, net	<u>(1,091,965)</u>	<u>(1,079,753)</u>
Cash used in investing activities	<u>(1,096,336)</u>	<u>(1,081,464)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(5,153,194)	-
Issuance of common shares	<u>1,003,260</u>	<u>-</u>
Net cash used in financing activities	<u>(4,149,934)</u>	<u>-</u>
Change in cash during the period	(1,835,678)	373,372
Cash, beginning of period	<u>2,407,300</u>	<u>258,196</u>
Cash, end of period	\$ 571,622	\$ 631,568

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)

	Capital Stock		Reserves	Deficit	Total
	Number	Amount			
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	-	-	-	1,845,968	1,846,968
Share-based payments	-	-	41,716	-	41,716
Balance at January 31, 2018	92,329,874	\$ 45,939,732	\$ 2,078,953	\$ (40,009,285)	\$ 8,009,400
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	-	-	-	2,618,427	2,618,427
Shares issued pursuant to option exercise	6,100,000	641,166	(286,666)	-	354,500
Shares issued pursuant to warrant exercise	4,634,000	648,760	-	-	648,760
Balance at January 31, 2019	103,063,874	\$ 47,229,658	\$ 1,792,287	\$ (41,957,364)	\$ 7,064,581

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

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
JANUARY 31, 2019

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 7). 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.

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 through issuance of common shares and from the receipt of royalty payments. The Company currently has cash and short term investments totalling \$5,521,423 and net working capital of \$7,060,428 which the Company believes is sufficient to fund its current business plans in the foreseeable future. In the longer term, additional equity or debt financing may be necessary to fund exploration and general and administrative activities or if royalty payments are not sufficient to fund such activities.

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 29, 2019 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, 2018.

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

New Accounting Standards Adopted during the period

IFRS 15, Revenue from Contracts with Customers was adopted on August 1, 2018. The standard introduces a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help users better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The amended standard did not have an impact on the financial statements.

IFRS 9, Financial Instruments (“IFRS 9”) replaces IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”) and introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 to be subsequently measured at amortized cost or fair value. The amendment also introduces a third measurement category for financial assets: fair value through other comprehensive income, and includes a single, forward-looking ‘expected loss’ impairment model.

The following is the new accounting policy for financial instruments under IFRS 9:

Financial assets and liabilities are initially recognized at fair value on the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Subsequently, financial assets and liabilities are recognized based on the classification of these financial assets. The Company has classified financial assets into one of the following categories: (1) financial assets at fair value through profit or loss (“FVTPL”), (2) financial assets at fair value through other comprehensive income (“FVTOCI”), (3) financial assets at amortized cost. Financial liabilities are classified as either (1) financial liabilities at FVTPL or (2) financial liabilities at amortized cost.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in profit or loss. Financial assets at FVTOCI are subsequently measured at fair value with changes in those fair values recognized in other comprehensive income (loss), net of tax. Financial assets and liabilities at amortized cost are measured at amortized cost using the effective interest rate method.

Cash and cash equivalents and accounts receivable are classified as financial assets at amortized cost and accounts payable and accrued liabilities are classified as liabilities at amortized cost. Accounts receivable, where applicable are net of a provision for expected credit losses.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. The Company is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
JANUARY 31, 2019

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

New Accounting Standards Adopted during the period (cont'd)

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Due to the nature of its receivables and that expected credit loss is nominal, no provision for credit loss was recognized by the Company.

As the accounting reflected by the adoption of IFRS 9 under the above classifications is similar to that of IAS 39, there was no measurement impact on the Company's financial statements.

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 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:

	January 31, 2019	July 31, 2018
GST receivable	\$ 16,927	\$ 13,791
Petroleum royalty (Note 5)	1,955,964	2,902,947
Other	1,068	13,196
Total	\$ 1,973,959	\$ 2,929,934

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
JANUARY 31, 2019

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. The claims are in good standing as at October 31, 2018. There are two separate 1% net smelter returns on Chu Chua to underlying parties. A significant shareholder of Grosvenor is a director of Newport. 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 years ended July 31, 2016 and 2017, the Company incurred \$500 for permitting. During the year ended July 31, 2018, the Company incurred \$1,711 for permitting. As there were minimal expenditures incurred on the property over the last three years and the Company has no current plans for additional expenditures on the property, the Company tested Chu Chua for impairment and determined based on various factors, that Chu Chua should be impaired 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 for 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, 2019, the Company earned \$4,565,727 (2018 - \$3,273,306) of petroleum royalty income, of which \$1,955,964 (July 31, 2018 - \$2,902,947) is included in receivables as at January 31, 2019. Subsequent to January 31, 2019, the Company received AUD\$1,433,853 which represents the royalty receivable net of a 30% withholding tax of AUD\$614,509. 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 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% of its royalty payment withheld at source by Beach Energy Ltd (“Beach”) and Santos Ltd (“Santos”), which Beach and Santos are required to remit to the ATO. The Company files annual tax returns in Australia.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2019	July 31, 2018
Trade payables	\$ 8,455	\$ 14,334
Due to related parties (Note 8)	16,332	13,332
Accrued liabilities	1,350	26,350
Total	\$ 26,137	\$ 54,016

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
JANUARY 31, 2019

7. CAPITAL STOCK AND RESERVES

a) Authorized share capital

As at January 31, 2019, 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:

	January 31, 2019	January 31, 2018
Weighted average number of common shares - basic	99,369,070	92,329,874
Effect of outstanding stock options	14,540	4,635,988
Effect of outstanding warrants	624,427	2,530,974
Weighted average number of common shares - diluted	100,008,037	99,496,836

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

During the six months ended January 31, 2019, the Company received proceeds of \$1,003,260 from the exercise of 4,634,000 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% (10,306,387) 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 less any applicable discount permitted by the securities regulatory authorities. 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 January 31, 2019 are as follows:

Number of Options	Exercise Price	Expiry Date
1,650,000	\$0.34	December 13, 2019
<u>1,300,000</u>	\$0.26	October 8, 2020
2,950,000		

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
JANUARY 31, 2019

7. CAPITAL STOCK AND RESERVES (cont'd)

b) Stock options (cont'd)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2017	8,800,000	\$ 0.14
Granted	300,000	0.22
Expired	<u>(50,000)</u>	0.27
Balance, July 31, 2018	9,050,000	0.14
Exercised	<u>(6,100,000)</u>	0.06
Balance, January 31, 2019	2,950,000	\$ 0.30
Number of options exercisable	2,950,000	\$ 0.30

c) Share-based payments

During the six months ended January 31, 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.

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 six months ended January 31, 2018:

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

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
JANUARY 31, 2019

7. CAPITAL STOCK AND RESERVES (cont'd)

d) Warrants

Details of warrants outstanding as at January 31, 2019 are as follows:

Number of Warrants	Exercise Price	Expiry Date
1,366,000*	\$0.14	March 7, 2019

*subsequent to January 31, 2019, the warrants were exercised.

Warrant transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2017 and 2018	6,000,000	\$ 0.14
Exercised	(4,634,000)	0.14
Balance, January 31, 2019	1,366,000	\$ 0.14

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:

	January 31, 2019	January 31, 2018
Management fees	\$ 174,000	\$ 121,500
Consulting fees	252,000	142,000
Directors fees	40,000	31,666

In addition, during the six months ended January 31, 2019, the Company;

- a) Reimbursed rent expense of \$45,000 (2018 - \$39,000) to a company controlled by a director of the Company.
- b) Paid or accrued professional fees of \$5,219 (2018 - \$607) to a legal firm of which an officer of the Company is a partner.
- c) Incurred share-based payment expense of \$Nil (2018 - \$41,716) in conjunction with the granting of stock options to a director of the Company.

As at January 31, 2019, accounts payable and accrued liabilities included \$16,332 (July 31, 2018 - \$13,332) owing to directors of the Company and a legal firm of which an officer of the Company is a partner.

NEWPORT EXPLORATION LTD.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
JANUARY 31, 2019

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 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 a net Australian income tax liability at January 31, 2019 of \$429,423 (July 31, 2018 - \$565,997) which consists of accrued withholding taxes on its Royalty receivable at January 31, 2019 of \$586,789 (July 31, 2018 - \$870,884) and accrued Australian income tax receivable of \$157,366 (July 31, 2018 - \$304,887). During the six months ended January 31, 2019, the Company received its July 31, 2018 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, 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 \$4,949,801 at January 31, 2019 (July 31, 2018 - \$3,871,997), a level 1 fair value measurement.

12. 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, the carrying value totalling \$7,495,382, 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 January 31, 2019, the Company had a cash and equivalents balance of \$571,622 (July 31, 2018 - \$2,407,300), receivables of \$1,973,959 (July 31, 2018 - \$2,929,934) and short-term investments of \$4,949,801 (July 31, 2018 - \$3,871,997) to settle current liabilities of \$455,560 (July 31, 2018 - \$620,013). All of the Company's financial liabilities are subject to normal payment 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 on net income and comprehensive income of a 1% change in interest rates is approximately \$49,500.

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 \$15,300. The Company does not currently hedge exchange risk.

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

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.

13. DIVIDENDS

On June 19, 2017, the Company announced the payment of a one-time special dividend of \$0.05 per common share. The Special Dividend was paid to shareholders of record at the close of business on June 30, 2017, resulting in a distribution of \$4,616,494 on July 7, 2017.

On September 27, 2018, the Company announced the payment of a one-time special dividend of \$0.05 per common share. The special Dividend was paid to shareholders of record at the close of business on October 12, 2018, resulting in a distribution of \$5,153,194 on October 19, 2018.