



NEWPORT

EXPLORATION LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

JULY 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Newport Exploration Ltd.

Opinion

We have audited the financial statements of Newport Exploration Ltd. (the "Company"), which comprise the statement of financial position as at July 31, 2023, and the statements of income and comprehensive income, cash flows, and changes in shareholders' equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Henry Chow.

Other Matter

The financial statements of the Company for the year ended July 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 20, 2022.

A handwritten signature in black ink that reads "SATURNA GROUP LLP". The letters are cursive and somewhat stylized, with the 'S' being particularly large and looping.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

November 9, 2023

NEWPORT EXPLORATION LTD.
STATEMENTS OF FINANCIAL POSITION
AS AT JULY 31,
(Expressed in Canadian Dollars)

	2023	2022
ASSETS		
Current		
Cash and equivalents	\$ 1,258,639	\$ 728,565
Short-term investments	1,417,097	2,604,251
Receivables (Note 3)	1,146,973	2,590,679
Income tax receivable (Note 13)	21,481	-
Prepaid expenses	16,156	15,669
	3,860,346	5,939,164
Non-current		
Equipment (Note 4)	6,574	4,744
Right-of-use asset (Note 7)	120,508	183,344
Exploration and evaluation asset (Note 5)	1	1
Total Assets	\$ 3,987,429	\$ 6,127,253
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 42,451	\$ 71,908
Current portion of lease liability (Note 7)	63,593	60,576
Income tax payable (Note 13)	-	409,436
	106,044	541,920
Non-current		
Long-term portion of lease liability (Note 7)	61,093	124,686
Total Liabilities	167,137	666,606
SHAREHOLDERS' EQUITY		
Capital stock (Note 9(a))	47,906,989	47,906,989
Reserves (Note 9(b))	2,213,537	2,213,537
Deficit	(46,300,234)	(44,659,879)
Total Shareholders' Equity	3,820,292	5,460,647
Total Liabilities and Shareholders' Equity	\$ 3,987,429	\$ 6,127,253

Nature of operations (Note 1)

Commitments (Note 11)

Dividends (Note 15)

Subsequent event (Note 16)

<u>“Ian Rozier”</u> Ian Rozier	Director	<u>“Barbara Dunfield”</u> Barbara Dunfield	Director
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The accompanying notes are an integral part of these financial statements.

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

	2023	2022
EXPENSES		
Administration fees	\$ 14,400	\$ 14,400
Amortization (Note 4)	1,581	4,272
Amortization of right-of-use asset (Note 7)	62,836	31,161
Consulting fees (Note 10)	572,700	573,200
Directors' fees (Note 10)	90,000	90,000
Exploration expense (Note 5)	4,106	13,841
Foreign exchange loss (gain)	(14,127)	43,928
Interest expense on lease liability (Note 7)	7,436	4,764
Management fees (Note 10)	391,200	391,200
Office and miscellaneous	110,731	116,303
Professional fees	116,259	129,303
Rent (Note 10)	-	35,414
Shareholder communications	41,444	48,273
Transfer agent and filing fees	28,454	27,948
Travel and related costs	171,626	69,462
Loss from operations	(1,598,646)	(1,593,469)
OTHER ITEMS		
Interest income	115,890	32,454
Petroleum royalty (Note 6)	5,283,425	9,223,456
	5,399,315	9,255,910
Net income before income taxes	3,800,669	7,662,441
Income tax expense (Note 13)	(1,217,829)	(2,396,614)
Net income and comprehensive income for the year	\$ 2,582,840	\$ 5,265,827
Earnings per common share:		
Basic	\$ 0.02	\$ 0.05
Diluted	\$ 0.02	\$ 0.05
Weighted average number of common shares outstanding:		
Basic (Note 9(a))	105,579,874	105,579,874
Diluted (Note 9(a))	105,579,874	106,664,534

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

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	\$ 2,582,840	\$ 5,265,827
Items not affecting cash:		
Amortization	1,581	4,272
Amortization of right-of-use asset	62,836	31,161
Interest expense on lease liability	7,436	4,764
Interest income	(115,890)	(32,454)
Income tax expense	1,217,829	2,396,614
Foreign exchange	8,993	(3,423)
Change in non-cash working capital items:		
Decrease in receivables	2,648,413	221,165
Increase in prepaid expenses	(487)	(6,282)
Increase (decrease) in accounts payable and accrued liabilities	(29,457)	14,768
Interest received	87,647	19,953
Income taxes paid	(1,647,049)	(2,455,934)
Net cash provided by operating activities	4,824,692	5,460,431
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchases	(3,411)	-
Investment purchases, net	-	(167,500)
Cash used in investing activities	(3,411)	(167,500)
CASH FLOWS USED FOR FINANCING ACTIVITIES		
Dividends paid	(4,223,195)	(7,390,593)
Repayment of lease liability	(68,012)	(34,007)
Cash used for financing activities	(4,291,207)	(7,424,600)
Change in cash and equivalents during the year	530,074	(2,131,669)
Cash and equivalents, beginning of year	728,565	2,860,234
Cash and equivalents, end of year	\$ 1,258,639	\$ 728,565
Cash and equivalents is comprised of:		
Cash in bank	\$ 309,694	\$ 328,188
Cash equivalents (GIC's and Treasury Bills)	948,945	400,377
	\$ 1,258,639	\$ 728,565

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

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

	<u>Capital Stock</u>				Total
	Number	Amount	Reserves	Deficit	
Balance at July 31, 2021	105,579,874	\$ 47,906,989	\$ 2,213,537	\$ (42,535,113)	\$ 7,585,413
Dividend distributions	-	-	-	(7,390,593)	(7,390,593)
Net income for the year	-	-	-	5,265,827	5,265,827
Balance at July 31, 2022	105,579,874	47,906,989	2,213,537	(44,659,879)	5,460,647
Dividend distributions	-	-	-	(4,223,195)	(4,223,195)
Net income for the year	-	-	-	2,582,840	2,582,840
Balance at July 31, 2023	105,579,874	\$ 47,906,989	\$ 2,213,537	\$ (46,300,234)	\$ 3,820,292

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

1. NATURE OF OPERATIONS

Newport Exploration Ltd. (the “Company”) was incorporated on September 19, 1979 under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its exploration and evaluation asset. Based on the information available to date, the Company has not yet 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 also 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 receipts 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 receipts are treated as fortuitous.

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.

These 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. As of July 31, 2023, the Company has cash and equivalents and short-term investments totalling \$2,675,736 and net working capital of \$3,754,302 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 mine development or if royalty payments are not sufficient to fund such activities.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on November 9, 2023 by the directors of the Company.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit and loss, which are stated at their fair value. These financial statements are presented in Canadian dollars unless otherwise noted.

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

Functional and presentation currency

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

Critical accounting estimates, judgments and assumption

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to the following:

- i) The carrying value and the recoverability of its exploration and evaluation asset, which is included in the statements of financial position. Exploration and evaluation expenditures are recognized in the statement of net income. At every reporting period, management assesses the potential impairment of the exploration and evaluation asset which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount. Such assessment requires judgement and estimates with respect to mineral resources, metal prices, capital and operating costs and considers management's plans with respect to an area of interest. Changes in these assumptions and judgements could result in an impairment of the carrying value of the exploration and evaluation asset
- ii) The inputs used in calculating the fair value for share-based payments expense included in net income and stock-based share issuance costs included in shareholders' equity. The share-based payments expense is estimated using the Black-Scholes pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of subjective assumptions, including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these assumptions affect the fair value of share-based compensation and the amount recognized as an expense in net income or as stock-based share issuance costs included in shareholders' equity

Cash and equivalents

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

Short-term investments

Short-term investments include Canadian guaranteed investment certificates with major Canadian Banking Institutions with original maturity dates greater than ninety days. These investments are recognized at fair value on each statement of financial position date.

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

Royalties

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

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or asset acquisition. Expenditures incurred before the Company has obtained the legal rights to explore an area are recognized in the statement of income and comprehensive income.

Subsequent to the acquisition of the legal rights to explore and until the mineral property reaches its development stage, exploration and evaluation expenditures are recognized in the statement of income. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

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

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

Equipment

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

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

Share-based payments

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

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

Earnings per share

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

Financial instruments

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

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 (Note 14).

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

Impairment of non-financial assets

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

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

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

Income taxes

Current income tax:

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

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is provided for temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

Leases

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 for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements 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. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to the statement of income and comprehensive income.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to the statement of income and comprehensive income on a straight-line basis over the lease term.

NEWPORT EXPLORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JULY 31, 2023

3. RECEIVABLES

Trade and other receivables are comprised of the following:

	July 31, 2023	July 31, 2022
GST receivable	\$ 7,889	\$ 8,177
Petroleum royalty (Note 6)	1,133,602	2,581,499
Interest	5,482	1,003
Total	\$ 1,146,973	\$ 2,590,679

Information about the Company's exposure to credit risk and market risk for the petroleum royalty is included in Note 14.

4. EQUIPMENT

	Furniture and fixtures	Computer equipment	Total
Cost			
Balance, July 31, 2021, and 2022	\$ 34,800	\$ 51,925	\$ 86,725
Additions	-	3,411	3,411
Balance, July 31, 2023	\$ 34,800	\$ 55,336	\$ 90,136
Accumulated amortization			
Balance, July 31, 2021	\$ 27,497	\$ 50,212	\$ 77,709
Amortization	3,757	515	4,272
Balance, July 31, 2022	31,254	50,727	81,981
Amortization	709	872	1,581
Balance, July 31, 2023	\$ 31,963	\$ 51,599	\$ 83,562
Carrying amounts			
As at July 31, 2022	\$ 3,546	\$ 1,198	\$ 4,744
As at July 31, 2023	\$ 2,837	\$ 3,737	\$ 6,574

NEWPORT EXPLORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
JULY 31, 2023

5. EXPLORATION AND EVALUATION ASSET

The Company has a 100% interest in Chu Chua, a sulphide deposit located north of Kamloops, British Columbia. There are two separate 1% net smelter returns on Chu Chua to underlying parties. During the year ended July 31, 2022, the Company incurred exploration expenses of \$13,841 to complete the NI43-101 report, and to maintain the Chu Chua claims. During the year ended July 31, 2023, the Company incurred \$4,106 for claim maintenance.

6. 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 year ended July 31, 2023, the Company earned \$5,283,425 (2022 - \$9,223,456) of petroleum royalty income, of which \$1,133,602 (2022 - \$2,581,499) is included in receivables as at July 31, 2023. Subsequent to July 31, 2023, the Company received AUD\$895,824 which represents the royalty receivable net of a 30% withholding tax of AUD\$383,925. 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.

In 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.

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has an office lease for its head office in West Vancouver, BC, with a lease term to June 30, 2025. The right-of-use asset and corresponding lease liability were initially measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate of 5%.

The continuity of the right-of-use asset for the years ended July 31, 2022 and 2023 is as follows:

	Right-of-Use Asset
July 31, 2021	\$ -
Addition	214,505
Amortization	(31,161)
July 31, 2022	183,344
Amortization	(62,836)
July 31, 2023	\$ 120,508

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7. RIGHT-OF-USE ASSET AND LEASE LIABILITY (cont'd)

The continuity of the lease liability for the years ended July 31, 2022 and 2023 is as follows:

	Lease Liability
July 31, 2021	\$ -
Addition	214,505
Lease payments	(34,007)
Accretion expense	4,764
July 31, 2022	185,262
Lease payments	(68,012)
Accretion expense	7,436
July 31, 2023	\$ 124,686

Future minimum lease payments are as follows:

	July 31, 2023
Less than 1 year	\$ 63,593
1 to 2 years	61,093
July 31, 2023	\$ 124,686

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2023	July 31, 2022
Trade payables	\$ 9,451	\$ 26,908
Due to related parties (Note 10)	15,000	15,000
Accrued liabilities	18,000	30,000
Total	\$ 42,451	\$ 71,908

The Company's exposure to liquidity risk is included in Note 14.

9. CAPITAL STOCK AND RESERVES

a) Authorized share capital and earnings per share

As at July 31, 2023, the authorized share capital of the Company is an unlimited number of common shares without par value.

Holder of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the Company's Annual General Meeting.

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9. CAPITAL STOCK AND RESERVES (cont'd)

a) Authorized share capital and earnings per share (cont'd)

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

	July 31, 2023	July 31, 2022
Weighted average number of common shares - basic	105,579,874	105,579,874
Effect of outstanding stock options	-	1,084,660
Weighted average number of common shares - diluted	105,579,874	106,664,534

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

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, employees, and consultants to acquire up to 10% (10,557,987) 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 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 July 31, 2023 are as follows:

Number of Options	Exercise Price	Expiry Date
8,675,000	\$0.40	December 26, 2024

There were no stock option transactions during the years ended July 31, 2022 and 2023.

c) Warrants

There are no warrant transactions during the years ended July 31, 2022 and 2023. There are no warrants outstanding at July 31, 2023.

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10. 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:

	July 31, 2023	July 31, 2022
Management fees	\$ 391,200	\$ 391,200
Consulting fees	572,700	572,700
Directors’ fees	90,000	90,000

In addition, during the year ended July 31, 2023, the Company entered into the following transactions with related parties:

- a) Reimbursed rent of \$Nil (2022 - \$30,600) to a company controlled by a director of the Company.
- b) A company with a common officer and director reimbursed rent expense of \$12,000 (2022 - \$7,000) to the Company

As at July 31, 2023, accounts payable and accrued liabilities included \$15,000 (2022 - \$15,000) owing to directors of the Company.

11. COMMITMENTS

The Company has management and consulting contracts with 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 CEO \$47,725 per month and the CFO \$32,600 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 parties is without cause, the Company will be obligated to pay 36 months of service fees to either or both parties.

12. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of resource properties. All of Company’s non-current assets are in Canada and the Company’s petroleum royalty income is derived from Australia.

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13. INCOME TAXES

A reconciliation of income tax expense calculated at statutory rates of 27% (2022 – 27%) with the reported income tax expense is as follows:

	2023	2022
Net income before income taxes	\$ 3,800,669	\$ 7,662,441
Expected tax expense	\$ 1,017,517	\$ 2,068,859
Non-deductible expenditures	3,690	2,999
Change in unrecognized deductible temporary differences	83,155	97,549
Foreign taxation differences	113,467	227,207
Total income tax expense	\$ 1,217,829	\$ 2,396,614

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

	2023	2022	Expiry date range
Temporary differences:			
Investment tax credits	\$ 6,000	\$ 6,000	2038
Exploration and evaluation asset	\$ 3,800,000	\$ 3,757,000	No expiry
Equipment	\$ 281,000	\$ 268,000	No expiry
Allowable capital losses	\$ 12,286,000	\$ 12,286,000	No expiry
Non-capital losses	\$ 2,834,000	\$ 2,834,000	2026-2034

The Company files Australian tax returns annually on the royalty income and related expenses. The Company had a net Australian income tax receivable at July 31, 2023 of \$21,481 (2022 – payable of \$409,436) which consists of accrued withholding taxes on its royalty receivable at July 31, 2023 of \$340,081 (2022 - \$774,450) and accrued Australian income tax receivable of \$361,562 (2022 - \$365,014).

14. 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. As at July 31, 2023, the fair value of short-term investments was \$1,417,097 (2022 - \$2,604,251), 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:

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

Financial risk factors (cont'd)

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 \$3,822,709, 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 July 31, 2023, the Company had a cash and equivalents balance of \$1,258,639 (2022 - \$728,565), with expected cash inflows from trade receivables maturing within two months of \$1,146,973 (2022 - \$2,590,679) and short-term investments maturing within twelve months of \$1,417,097 (2022 - \$2,604,251) to settle expected cash outflows from current liabilities of \$106,044 (2022 - \$541,920).

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 \$10,000.

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 \$9,000. The Company does not currently hedge exchange risk.

c) Commodity risk

The Company is exposed to fluctuations in commodity price with respect to its royalty on its GOR licenses in Australia. The effect on net income and comprehensive income of a 1% change in oil price is approximately \$1,000.

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

Capital management

The Company's objectives when managing capital 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.

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 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.

15. DIVIDENDS

Announced	Record Date	Per Share	Payment Date	Distribution
8/11/21	8/26/21	\$0.02	9/10/21	\$2,111,598
11/9/21	11/24/21	\$0.02	12/9/21	\$2,111,598
2/8/22	2/23/22	\$0.01	3/10/22	\$1,055,799
5/10/22	5/25/22	\$0.02	6/9/22	\$2,111,598
8/10/22	8/26/22	\$0.01	9/12/22	\$1,055,799
11/10/22	11/25/22	\$0.01	12/12/22	\$1,055,799
2/9/23	02/24/23	\$0.01	3/13/23	\$1,055,799
5/10/23	05/26/23	\$0.01	6/12/23	\$1,055,799

16. SUBSEQUENT EVENT

Subsequent to July 31, 2023, the Company announced a quarterly dividend payment of \$0.01 per common share. The quarterly dividend was paid to shareholders of record at the close of business on August 25, 2023, resulting in a distribution of \$1,055,799 on September 12, 2023.