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Dear Shareholders

2010 Review and Update

The year started on a positive note with the bringing together of the new Management team and Board and the commencement of the IPO capital raising process. However we then hit a speed bump with the IPO which put us into July/August for the capital raising a time, with all that was going on, when the market contracted. The Board then withdrew the listing application as clearly the IPO was not going to succeed and proceeded down alternative pathways.

Throughout all this period of uncertainty and lack of funds the Management team and the Board have stuck solid and focussed on keeping the Company moving forward, often at personal expense and loss and with investing their own funds at critical points.

I am pleased to advise that the funds recently raised under the private capital raising we have been conducting with YBR Securities have enabled us to move forward. In particular this has enabled us to acquire a lot of data that is already in existence and through the hard work of the Management team and, in particular, of Mike Swift, our Exploration Manager, we have made significant gains in de-risking the tenement. This work has also given us the support for our belief that the area is analogous to the highlands (albeit buried) with a series of anti-cline features in the tenement. It has also provided us with a feel for the size of the potential resources.

In December 2010, I presented all this progress to the PNG Chamber of Mines and Petroleum's 11th Papua New Guinea Mining and Petroleum Investment Conference 2010. A copy of my Presentation is now on the Company's website (www.newportenergylimited.com) under "Presentations". I encourage you to have a look at that Presentation, which was very well received at the Conference, which will provide you with a good update on progress. For those shareholders we are able to email this Update to, I have attached the version that includes what I said with each slide.

The more we are able to progress the geology and geophysical work on PPL 326, the more excited we get about its prospectivity.

What we now need to do is to acquire some new seismic data to the north of the existing Fugro-Searcher seismic data. Ideally we would like to do that during 2011 as that will then set us up for determining the best places to drill the first wells. We are currently considering the capital requirements for that and how best to raise that capital. We will look to do that early in 2011, subject to favourable market conditions.

We have naturally been watching the expenditure of the Company during this time in order to minimise the cash outflow as much as possible. As part of that the Board and Management team agreed to reduce their fees in the period prior to when we proceed with a new IPO. Unfortunately this has also led to more limited flow of information to you the shareholders than we would like.



However we are hopeful of getting all shareholders onto email communication which will enable us to provide a more cost efficient communication pathway with you.

Unfortunately we do not have email addresses for all shareholders. If you receive this letter as a hardcopy you will find a form enclosed which will enable you to advise us of your email address for future email communication. Could you please complete that form and either post or email it back to Andrew Cooke, the Company Secretary, so that we can communicate with you by email. If at anytime you need to change your details (including email address) please email the details to admin@newportenergylimited.com.

With our first financial period having ended on 31 December 2010, we will be holding the first Annual General Meeting of the Company early this year. A date has not yet been set, but it will be held in Sydney some time in March or April. We will forward a Notice of Meeting to all shareholders prior to that. At that meeting we will provide an update on the activities of the Company during 2010 and we look forward to having the opportunity of meeting with a number of you at that time.

Finally with the focus originally on an IPO we had anticipated that you would have received holding statements under the CHES system and had therefore not proceeded to issue share certificates. With that not occurring we have had to shift our focus to the issue by the Company of share certificates. This has also involved ensuring we have all the correct details of the new investors to the Company under the current private capital raising. This has been a very large task given our limited resources. However, I am pleased to say that our Company Secretary, Andrew Cooke, has been very focused on this and will shortly be emailing to all shareholders their share certificates.

The Board and Management team are very focussed on taking the Company forward and we look forward to a very positive 2011.

Yours sincerely

David Williams
Managing Director