

NEWTON ENERGY CORPORATION
(an exploration stage company)
INTERIM FINANCIAL STATEMENTS
March 31, 2008
(Unaudited)

NEWTON ENERGY CORPORATION
INTERIM BALANCE SHEET
(Unaudited)

March 31, December 31,
2008 2007

| ASSETS | | |
|------------------------|--------------|--------------|
| CURRENT | | |
| Cash | \$ 103,778 | \$ 141,304 |
| Accounts receivable | 9,849 | 11,888 |
| Deposits | 8,109 | 8,000 |
| Cash in trust (note 4) | 3,562,410 | 2,625,488 |
| | <hr/> | <hr/> |
| | \$ 3,684,146 | \$ 2,786,680 |

| LIABILITIES | | |
|--|-----------|-----------|
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 29,945 | \$ 33,137 |
| Escrowed subscription receipts (note 4) | 3,500,938 | 2,581,188 |
| | <hr/> | <hr/> |
| | 3,530,883 | 2,620,325 |

| SHAREHOLDERS' EQUITY | | |
|---------------------------------|--------------|--------------|
| SHARE CAPITAL (note 5(b)) | 280,254 | 150,000 |
| CONTRIBUTED SURPLUS (note 5(c)) | 148,823 | 114,559 |
| DEFICIT | (275,815) | (195,731) |
| | <hr/> | <hr/> |
| | 153,263 | 166,335 |
| | <hr/> | <hr/> |
| | \$ 3,684,146 | \$ 2,786,680 |

Approved on behalf of the Board

Director _____

Director _____

NEWTON ENERGY CORPORATION
(formerly NX Capital Corp.)
INTERIM STATEMENT OF OPERATIONS AND DEFICIT
(Unaudited)

| | Three Months Ended March 31 2008 | Three Months Ended April 30 2007 |
|---|---|---|
| <hr/> | | |
| EXPENSES | | |
| Office and administration | \$ 76,094 | \$ 22,138 |
| Consulting fee (note 6) | 27,350 | 17,387 |
| | <hr/> | |
| LOSS BEFORE THE FOLLOWING ITEM: | (103,444) | (39,525) |
| OTHER INCOME | 23,172 | - |
| | <hr/> | |
| NET AND COMPREHENSIVE LOSS | (80,271) | (39,525) |
| DEFICIT beginning of period | (195,543) | (15,909) |
| | <hr/> | |
| DEFICIT, end of period | \$ (275,815) | \$ (55,434) |
| | <hr/> | |
| NET LOSS PER SHARE – BASIC AND DILUTED | \$ (0.02) | \$ (0.02) |
| | <hr/> | |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING BASIC AND DILUTED (Note 8) | 5,024,079 | 2,05,109 |
| | <hr/> | |

See accompanying Notes to Financial Statements

NEWTON ENERGY CORPORATION
(formerly NX Capital Corp.)
INTERIM STATEMENT OF CASH FLOWS
(Unaudited)

| | Three Months Ended March 31 2008 | Three Months Ended April 30 2007 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (80,271) | \$ (39,525) |
| Change in non-cash working capital items | | |
| Accounts receivable | 2,227 | (2,086) |
| Deposits | (109) | - |
| Accounts payable and accrued liabilities | (3,193) | - |
| Accounts payable and accrued liabilities | (23,172) | - |
| | (104,518) | (41,610) |
| CASH FLOWS FROM INVESTING ACTIVITY | | |
| | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Subscription receipts held in trust | 913,750 | - |
| Cash held in trust | (913,750) | - |
| Issuance of share capital | 66,992 | - |
| | 66,992 | - |
| CHANGE IN CASH POSITION | (37,526) | (41,610) |
| CASH, beginning of period | 141,304 | 133,799 |
| CASH, end of period | \$ 103,778 | \$ 92,189 |

NEWTON ENERGY CORPORATION
NOTES TO THE INTERIM FINANCIAL STATEMENTS
(Unaudited)

March 31, 2008

1. **BASIS OF PRESENTATION**

The interim financial statements of Newton Energy Corporation (“Newton” or the “Company”) for the three months ended March 31, 2008 are presented in accordance with Canadian generally accepted accounting principles (“GAAP”). These interim financial statements do not conform in all respects to the requirements of GAAP for annual financial statements and should be read in conjunction with Newton Energy Inc.’s audited financial statements and the notes thereto for the period ended December 31, 2007.

Newton was formed upon amalgamation of Newton Energy Inc. and NX Capital Corp. on July 31, 2007. The Company also changed its name to Newton Energy Corporation on July 31, 2007. The Company’s primary business activity is international exploration and development of petroleum and natural gas properties, specifically in the United Kingdom.

After the amalgamation, the Company adopted a year-end of December 31. Prior to amalgamation, the company had a 31 January year end and therefore the comparative income statement & statement of cash flows are for the three months ended 30 April 2007.

2. **ADOPTION OF NEW ACCOUNTING STANDARDS**

Sections 3862 and 3863

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections 3862 (Financial Instruments – Disclosure) and 3863 (Financial Instruments – Presentation), which replace CICA Handbook section 3861.

Accounting Standards Section 3862 “Financial Instruments – Disclosures” requires disclosures in the financial statements that will enable users to evaluate: the significance of financial instruments for a company’s financial position and performance; and the nature and extent of risks arising from financial instruments to which a company is exposed during the period and at the balance sheet date, and how a company manages those risks. The Company’s financial instruments and financial instruments disclosure are presented in note 6.

The initial adoption of Section 3862 and 3863 had no impact on the Company’s consolidated results or financial position.

Section 1535

Effective January 1, 2008, the Company adopted CICA Handbook new Section 1535 (Capital Disclosures).

Accounting Standards Section 1535 requires that an entity disclose information that enables users of its financial statements to evaluate an entity’s objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. Disclosure for Section 1535 is provided in note 7.

The initial adoption of Section 1535 had no impact on the Company’s consolidated results or financial position.

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3. **CASH IN TRUST**

The Company has raised \$4,118,750 financing through the issuance of 8,237,500 Subscription Receipts at a price of \$.50 per Subscription Receipt. Each Subscription Receipt is to be exchanged for one common share of the Company, with 15% issuable upon closing and 85% issuable upon the second release date. The Company, upon closing, received 15% of the gross proceeds and 85% was deposited into CIBC Mellon Trust Company escrow account and is invested in Government of Canada Treasury Bills maturing on June 12, 2008. This amount will be released on the second release date, being the date the Company is awarded by the U.K.'s Department of Business, Enterprise and Regulatory Reform (formerly Department of Trade and Industry) not less than 65,000 acres of exploration licenses (the "Licenses"). In the event that the Company does not obtain the Licenses prior to September 12, 2008, the escrowed Subscription Receipts will be returned to the subscribers.

4. **SHARE CAPITAL**

a) **Authorized**

Unlimited number of common voting shares
Unlimited number of preferred shares issuable in series

b) **Issued and Outstanding**

| | Shares (#) | Amount (\$) |
|---|---------------|----------------|
| Common Shares | | |
| Newton Inc. common shares issued and outstanding as at January 31, 2007 | 1,500,000 | 150,000 |
| Outstanding common shares of NX Capital, at December 31, 2006 | 40,118,233 | - |
| NX Capital shares exchanged for Newton Inc. shares (i) | 40,102,188 | 150,000 |
| Total before consolidation of shares | 80,220,421 | 150,000 |
| Consolidation of shares at 20:1 | 4,011,021 | 150,000 |
| Brokered private placement in 2007 (ii) | 913,125 | 456,562 |
| Share issue costs in 2007 (ii) | - | (244,477) |
| Fair value of broker options, issued in 2007 | - | (148,823) |
| Balance, December 31, 2007 | 4,924,146 | 247,527 |
| Brokered private placement in 2008 (iii) | 322,500 | 161,250 |
| Share issue costs in 2008 (iii) | - | (94,258) |
| Fair value of broker options, issued in 2008 | - | (34,265) |
| Balance, March 31, 2008 | 5,246,646 | 280,254 |

(i) The reverse takeover and amalgamation of NX Capital and Newton Inc. on July 31, 2007, resulted in Newton Inc. shareholders being issued one share of the Company for every 26.7347 shares they held in NX Capital. This resulted in the issuance of 40,102,188 shares of the Company.

NEWTON ENERGY CORPORATION
 NOTES TO THE INTERIM FINANCIAL STATEMENTS
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- (ii) In 2007, the Company issued 913,125 common shares at \$.50 per share for proceeds net of issue costs of \$212,086.
- (iii) In three months ended 31 March 2008, the Company issued 322,500 common shares at \$.50 per share for proceeds net of issue costs of \$66,992

4. **SHARE CAPITAL (continued)**

c) **Agent options**

The Company issued broker options to the agents for the private placements in 2007 and 2008. The fair value of these options was estimated using the Black-Scholes fair value option pricing model with the following assumptions: expected volatility of 75% and risk-free interest rate of 4.66%, and expected life of 18 months.

| Options outstanding | Exercise price | Options exercisable at September 30, 2007 | Expiry date |
|------------------------|----------------|--|--------------------|
| 487,500 | \$ 0.50 | 487,500 | March 12, 2009 |
| 121,000 | \$ 0.50 | 121,000 | May 30, 2009 |
| 9,150 | \$ 0.50 | 9,150 | July 23, 2009 |
| 23,100 | \$ 0.50 | 23,100 | September 19, 2009 |

As a result, \$148,823 was recorded as a reduction to share capital and a corresponding credit to contributed surplus.

5. **RELATED PARTY TRANSACTIONS**

During the three month period ended March 31, 2008, the Company paid consulting fees in the amount of \$24,000 (2007, \$17,387) to companies controlled by a director and officers of the Company.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

6. **FINANCIAL INSTRUMENTS**

As at March 31, 2008, the Company's financial instruments consist of cash, accounts receivable, deposits, cash in trust, escrowed subscription receipts and accounts payable and accrued liabilities. The risk exposure is summarized as follows:

a) **Credit risk**

The Company is not exposed to any significant credit risk on its financial assets. Cash and cash in trust consisting of Government of Canada very short term treasury bills, from which management believes the risk of loss to be remote. Accounts receivable is mostly GST recoverable. As at March 31, 2008, the Company had no financial assets that were either past due or impaired.

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b) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at March 31, 2008, the Company had an unrestricted cash balance of \$103,778 to settle accounts payable and accrued liabilities of \$29,945. The Company also has cash in trust of \$3,562,410 against a liability for escrowed subscription receipts of \$3,500,938.

c) Market risk

1) Interest rate risk

The Company's accounts payable and accrued liabilities are non-interest bearing. As at March 31, 2008, the Company's interest bearing assets are cash in trust. The majority of the Company's cash balances are in checking account earning no interest.

2) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar as most major expenditures and realized costs are for the advancement of the Company's exploration projects located in UK. As at March 31, 2008, the Company had \$28,109 in Pound sterling funds for future expenditure in UK.. For financial reporting purposes, the Pound Sterling are translated to Canadian dollars on the date of the transaction and the Pound Sterling balance is converted to Canadian funds at month-end for consolidated financial statement reporting. Gains and losses are recognized in the consolidated statements of loss and deficit. The Company does not hedge foreign currency transactions. Management believes the foreign currency exchange risk delivered from currency conversion to be negligible.

3) Price Risk

The Company's financial assets and liabilities are not exposed to price risk with respect to commodity prices. During the period ended March 31, 2008, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

7. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support the exploration and development of its leases and to maintain the Company in good standing with the various regulatory authorities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the Company. The Company has no debt and is not subject to externally imposed capital requirements.

The Company's historical sources of capital have consisted of the sale of equity securities. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and raise additional amounts externally as needed. The Company has policies and procedures in place for employee and officer expenditure authorization limits and capital expenditure authorization. Capital expenditures of \$20,000 or more require approval by the Board of Directors. Management reviews its capital

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management approach on an ongoing basis and believes this approach, given the size of the Company, is reasonable.

There were no changes in the Company's management of capital during the three month period ended March 31, 2008.

8. LOSS PER SHARE

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated to reflect the dilutive effect of stock options and warrants outstanding. Loss per share is calculated as follows:

| Three months ended March 31, 2008 | Net loss | Weighted average number of shares | Loss per share |
|--------------------------------------|-------------|--------------------------------------|----------------|
| Basic and diluted | \$ (80,271) | 5,024,079 | \$ (0.02) |

| Three months ended April 30, 2007 | Net loss | Weighted average number of shares | Loss per share |
|--------------------------------------|-------------|--------------------------------------|----------------|
| Basic and diluted | \$ (39,525) | 2,005,109 | \$ (0.02) |

9. SUBSEQUENT EVENTS

On April 17, 2008 the Company closed \$200,000 financing through the issuance of 400,000 Subscription Receipts at a price of \$.50 per Subscription Receipt. Each Subscription Receipt is to be exchanged for one common share of the Company, with 15% issuable upon closing and 85% issuable upon the second release date. The Company, upon closing, received 15% of the gross proceeds, less agents costs for net proceeds of \$29,805 and 85% (\$259,250) was deposited into CIBC Melon Trust Company escrow account and is invested in Government of Canada Treasury Bills maturing on March 14, 2008. This amount will be released on the second release date, being the date the Company is awarded by the U.K.'s Department of Business, Enterprise and Regulatory Reform (formerly Department of Trade and Industry) not less than 65,000 acres of exploration licenses (the "Licenses"). In the event that the Company does not obtain the Licenses prior to September 12, 2008, the escrowed Subscription Receipts will be returned to the subscribers.

Newton Energy Corporation was informed on May 28, 2008 that the United Kingdom Secretary of State has offered Newton Energy UK Ltd, ("Newton UK", a wholly owned subsidiary of Newton) two Petroleum Exploration and Development licenses in the East Midlands Basin onshore in the United Kingdom. The two licences cover a contiguous area covering 100,000 acres located to the Southwest of the city of Nottingham.

The licenses cover two stages, the first being a six year period with a designated minimum work program consisting of firm commitments to drill three wells and collect additional seismic and geochemical information, and a second stage of an additional 25 years for additional development and exploration.

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With the announcement of the license award Newton will be pursuing the release from escrow of the balance of the subscription receipt funds and the issue of shares subsequent to and the lifting of the voluntary trading halt. The licence award will now allow Newton to proceed with the acquisition of the necessary permits, consents and permissions required to execute its drilling program planned.