



NEWTON ENERGY CORPORATION

(a development stage company)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

Auditors' Report

To the Shareholders of
Newton Energy Corporation:

We have audited the consolidated balance sheet of Newton Energy Corporation as at December 31, 2009 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and the results of its operations and its cash flows for each of the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2008 and for the year then ended were audited by another firm of chartered accountants who expressed an opinion without reservation on those statements in their report dated April 20, 2009.

Calgary, Alberta
April 12, 2010



Chartered Accountant

NEWTON ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

December 31

2009

2008

ASSETS

CURRENT

Cash and cash equivalents	\$ 3,895,617	\$ 4,671,699
Accounts receivable	11,823	7,552
Prepaid expenses	36,387	2,062

	3,943,827	4,681,313
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Property, plant and equipment (note 5)	84,388	24,425
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	4,028,215	\$ 4,705,738
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LIABILITIES

CURRENT

Accounts payable and accrued liabilities	\$ 74,251	\$ 88,347
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SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 6)	5,128,419	5,128,419
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CONTRIBUTED SURPLUS (note 6)	621,019	606,537
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DEFICIT	(1,795,474)	(1,117,566)
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	3,953,964	4,617,390
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	\$ 4,028,215	\$ 4,705,737
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Approved on behalf of the Board

Director "Michael J. Frey"

Director "Thomas G. Milne"

NEWTON ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	Year Ended December 31 2009	Year Ended December 31 2008
Office and administration	\$ 446,035	\$ 455,273
Consulting fees (note 7)	260,520	187,520
Stock based compensation (note 6(d))	14,482	392,578
	721,037	1,035,371
Loss before the following items	(721,037)	(1,035,371)
Other income – interest on short term investments	56,088	119,213
Loss on foreign exchange	(12,959)	(5,677)
Net and Comprehensive loss	(677,908)	(921,835)
Deficit at the beginning of year	(1,117,566)	(195,731)
Deficit, end of year	(1,795,474)	(1,117,566)
Loss per share basic and diluted (note 10)	\$ (0.05)	\$ (0.09)
Weighted average number of shares outstanding	14,011,261	9,894,688

NEWTON ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31 2009	Year Ended December 31 2008
Cash flows provided by (used in) :		
Continuing operations:		
Net loss	\$ (677,908)	\$ (921,835)
Items not affecting cash		
Stock based compensation (note 6(d))	14,482	392,578
	(663,426)	(529,257)
Changes in non-cash working capital items		
Accounts receivable	(4,272)	4,336
Prepaid expenses	(34,325)	55,210
Accounts payable and accrued liabilities	(14,096)	5,938
Interest receipt cash held in trust	-	38,300
	(716,119)	(425,473)
Financing:		
Subscription receipts held in trust (note 4)	-	(2,587,188)
Cash held in trust (note 4)	-	2,587,188
Issue of share capital less share issue costs (note 6(b))	-	4,980,292
	-	4,980,292
Investing:		
Exploration assets (note 5)	(59,963)	(24,425)
	(59,963)	(24,425)
Change in cash and cash equivalents	(776,082)	4,530,395
Cash and cash equivalents beginning of year	4,671,699	141,304
Cash and cash equivalents end of year	\$ 3,895,617	\$ 4,671,699

Cash is comprised of cash and cash equivalents as follows:

Cash	127,876	88,651
Short-term deposits	3,767,741	4,583,048
Cash and cash equivalents	3,895,617	4,671,699

1. BASIS OF PRESENTATION

The financial statements of Newton Energy Corporation (“Newton” or the “Company”) for the years ended December 31, 2009 and 2008 are presented in accordance with Canadian generally accepted accounting principles (“GAAP”).

The financial statements have been prepared in accordance with Canadian GAAP on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted as this time. The Company has had operating losses of \$677,908 for the year ending December 31, 2009 and has sufficient funds to carry its first phase of drilling program. Management believes that the going concern assumption is appropriate for these financial statements. If this assumption were not appropriate, adjustments to the carrying amounts of the assets and liabilities, revenues and expenses and the balance sheet classifications used may be necessary.

The Company is an oil exploration company and all of its resources have been devoted to exploring and developing the resources on its licensed land holdings in the United Kingdom (“UK”). To date the Company has not earned significant revenues and is considered to be in the development stage.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared using the historical cost basis in accordance with Canadian GAAP. These financial statements have, in management’s opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are accounts payable and accrued liabilities and stock based compensation.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All inter-corporate balances and transactions have been eliminated. The consolidated financial statements of the company have been prepared by management in accordance with Canadian generally accepted accounting principles.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short term highly liquid instruments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value and have a maturity of 90 days or less at the date of deposit.

Exploration assets

The Company accounts for its petroleum and natural gas operations in accordance with the Canadian Institute of Chartered Accountants' ("CICA") guideline on full-cost accounting in the oil and gas industry. Under this method, all exploration and development costs, including asset retirement obligations, are capitalized and accumulated within cost centers on a country-by-country basis. Such costs include land acquisition, geological and geophysical activity, drilling and testing of productive and non-productive wells, carrying costs directly related to unproved properties, major development projects and administrative costs directly related to exploration and development activities. Unproved properties are evaluated for impairment on an annual basis.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Corporation records future income taxes for the effect of any differences between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in earnings in the period that the change occurs. Future tax assets are recognized to the extent that they are more likely than not to be realized. To the extent that it is not more likely than not that a future tax asset will be realized, a valuation allowance is provided.

Stock-based compensation

The Company accounts for stock options using the fair value method of accounting. Accordingly, the fair value of the options is determined using the Black-Scholes option pricing model. The fair value of options is charged to operations on a straight line basis over the vesting periods in the case of options issued as compensation for activities related to operations and to share issue costs in the case of options issued in relation to share issuances, with an offsetting credit to contributed surplus. If and when the stock options are exercised, the applicable amount of contributed surplus is transferred to share capital.

Earnings per share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated based on the treasury stock method which assumes that any proceeds obtained on the exercise of options and warrants would be used to purchase common shares at the average price during the period. The effect of anti-dilutive options and warrants is not included in the calculation of diluted earnings per share.

Foreign Currency Translation

Foreign currency denominated monetary assets and liabilities of Canadian operations and integrated foreign operations are translated into Canadian dollars at the exchange rate prevailing at the year end, and expenses (other than amortization which is translated at rates pertaining to the related assets) are translated at average rates of exchange during the year. Non-monetary assets and liabilities are translated at historical rates of exchange. Exchange gains or losses arising on the translation of the accounts are included in the statement of operations and deficit.

Asset Retirement Obligation

The fair value of a liability for asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long lived assets. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow.

Financial instruments

Financial assets and liabilities are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

3. ACCOUNTING PRONOUNCEMENTS

- i) As of January 1, 2009, the Company adopted the CICA Handbook Section 3064, "Goodwill and Intangible Assets", The new standard revises the requirement for recognition, measurement and disclosure of intangible assets. The adoption of this standard did not have a material impact on the Company's Consolidated Financial Statements.
- ii) Section 3862 – "Financial Instruments – Disclosure", In March 2009, the Canadian Institute of Chartered Accountants ("CICA") Accounting Standard Board amended CICA Handbook Section 3862, Financial Instruments – Disclosures. The amendments enhanced disclosure requirements regarding fair value measurements and liquidity risks. The Company has adopted these amendments for its fiscal year ended December 31, 2009. The Company has determined that the adaptation of these amendments has had no impact on the financial statements.
- iii) EIC – 173 – "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", EIC-173 provides guidance on how to take into account the credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The Company has determined that the adoption of these amendments has had no impact on the consolidated financial statements.
- iv) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. As Newton Energy Corporation will be required to report its results in accordance with IFRS starting in 2011, the Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

NEWTON ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

v) Business Combinations

The following standards were issued by the CICA during 2009 and will be effective for the Company beginning on January 1, 2011:

Section 1582, Business Combinations will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations" and replace the existing Section 1581, Business Combinations. The new Section 1582 will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. The Company is assessing the impact of these new standards on its consolidated financial statements.

Section 1601, Consolidated Financial Statements establishes standards for the preparation of consolidated financial statements and will replace the existing Section 1600, Consolidated Financial Statements. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, Business Combinations and Section 1602, Non-Controlling Interests. The Company is assessing the impact of these new standards on its consolidated financial statements.

Section 1602, Non-controlling Interests establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, Business Combinations and Section 1601, Consolidated Financial Statements. The Company is assessing the impact of these new standards on its consolidated financial statements.

4. CASH IN TRUST

On May 29, 2008 the Company was advised by the UK's Department of Business, Enterprise and Regulatory Reform that it has been awarded a total of five contiguous land blocks for a total of 150,000 acres of exploration licenses. Thereby the Company had met the required conditions for the release of share subscriptions funds in trust. On June 12, 2008, CIBC Mellon, at the request of the Company, released the sum of \$3,670,938 held in escrowed subscription receipts plus interest earned for a total of \$3,751,903. The Company issued 7,341,875 new common shares to the holders of the subscription receipts as per subscription agreements dated September 12, 2007, November 30, 2007, January 23, 2008, March 19, 2008, and April 18, 2008.

5. EXPLORATION ASSETS

At December 31, 2009, the Company has paid \$84,388 (2008- \$24,425) for rental of land licenses and costs related to obtaining surface leases which has been capitalized. The commitment to maintain these licenses are discussed in note 12.

NEWTON ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

6. 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 Energy Corporation common shares issued and outstanding		
	4,924,386	247,527
As at December 31, 2007	9,086,875	5,224,687
Private placements in 2008		(244,395)
Share issue costs		(99,400)
Fair value of broker options issued in 2008		-
As at December 31, 2008	14,011,261	5,128,419
Share issued during 2009	-	-
Balance, December 31, 2009	14,011,261	5,128,419

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% to 2.9%, and expected life of 18 to 24 months.

The number of options, with their weighted average exercise prices, are:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2007	608,500	\$ 0.50
Issued during 2008	388,750	0.50
Expired during 2008	-	-
Outstanding, December 31, 2008	997,250	\$ 0.67
Issued during the year	-	-
Expired during 2009	(608,500)	0.50
Outstanding, December 31, 2009	388,750	\$ 0.68

Options outstanding	Exercise price	Options exercisable at December 31, 2009	Expiry date
61,000	0.50	61,000	23-Jan-2010
171,500	0.50	171,500	19-Mar-2010
20,000	0.50	20,000	18-Apr-2010
136,250	1.00	136,250	24-Jan-2010
388,750	\$0.68	388,750	

NEWTON ENERGY CORPORATION
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d) Stock-Based Compensation

On June 12, 2008 the Board of Directors of the Company approved the issuance of 1,250,000 options at exercise price of \$0.50 to the directors and officers of the Company and certain consultants. These options were granted for a period of 5 years and vested on the issue date. The Company has accounted for its employee stock options granted using the fair value method. The fair value of all options granted to December 31, 2008 was estimated to be \$392,578 (\$0.31 per option granted). The estimated fair value, \$0.31 a share was calculated for the options using the Black-Scholes model based on the following assumptions: risk-free interest rate of 3%, expected life of 5 years, no annual dividends and expected volatility of 75%.

On June 4, 2009, the Board of Directors of the Company approved the issuance of 120,000 options at exercise price of \$0.20 to a new director. These options were granted for a period of five years and vested on the issue date. The estimated fair value, \$0.12 a share was calculated for the options using the Black-Scholes model based on the following assumptions: risk-free interest rate of 0.5%, expected life of 5 years, no annual dividends and expected volatility of 75%.

As at December 31, 2009 the Company has the following options outstanding:

	Number of Options	Weighted Average Exercise Price
Balance, beginning of 2008	Nil	\$ N/A
Options granted during 2008	1,250,000	0.50
Outstanding at December 31, 2008	1,250,000	\$ 0.50
Options granted during 2009	120,000	0.20
Outstanding at December 31, 2009	1,370,000	\$ 0.47

e) Contributed surplus

	2009	2008
Balance, beginning of year	\$ 606,537	114,559
Options granted to agents	-	99,400
Options granted to directors, officers and consultants	14,482	392,578
	\$ 621,019	\$ 606,537

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, the Company paid consulting fees in the amount of \$216,000 (2008, \$166,000) to companies controlled by a director and an officer of the Company.

The Company also paid a total of \$9,889 (£5,682) in income tax deductions on behalf of one of directors and officers to tax authorities in the UK as part of his compensation.

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

NEWTON ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

8. FINANCIAL INSTRUMENTS

As at December 31, 2009, the Company's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses and accounts payable and accrued liabilities.

Carrying value and fair value of financial assets and liabilities at December 31, 2009 are summarized as follows:

Classification	Carrying Value	Fair Value
Cash and cash equivalents	\$ 3,895,617	3,895,617
Other liabilities	\$ 74,251	74,251

Financial instruments consist of recorded amounts of cash and cash equivalents, which will result in future cash receipts, as well as accounts payable and accrued liabilities which will result in future cash outlays.

In management's opinion, the Company's carrying values of marketable securities and accounts payable and accrued liabilities approximate their fair values due to the immediate or short term maturity of these instruments.

The Company has exposure to the following risks:

a) Credit risk

Credit risk is the risk that counterparty to a financial asset will default resulting in the Company incurring a loss. The Company is not exposed to any significant credit risk on its financial assets. Cash and equivalents consisting of, 30 days cashable GIC and money market accounts for which management believes the risk of loss to be remote. Accounts receivable comprises mostly GST recoverable. As at December 31, 2009, the Company had no financial assets that were either past due or impaired.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. 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 December 31, 2009, the Company had an unrestricted cash and cash equivalents balance of \$3,895,617 to settle accounts payable and accrued liabilities of \$74,251.

c) Market risk

i) Interest rate risk

The Company has cash balances and non interest bearing obligations. The Company manages its exposure to interest rate risk through fixed rate investments with no early withdrawal penalties. It is the Company's policy to invest its cash reserves in low risk investments in either short term deposits in primary Canadian banking institutions or overnight money market accounts. The Company monitors interest rate markets to ensure that appropriate steps can be taken considering interest rate volatility. A 1% reduction/increase in interest rate for the year ended December 31, 2009 could have reduced/increased Company's interest revenue by approximately \$30,000 respectively (2008 - \$41,000).

ii) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar as most major expenditures and realized costs are made from Canada for the advancement of the Company's exploration projects located in the UK. As at December 31, 2009, the Company had \$114,161 equivalent to £67,479 (2008, \$89,644 equivalent to £50,070) for future expenditure in the UK. For financial reporting purposes, the Pound Sterling is 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 operations and deficit. The Company does not hedge foreign currency transactions. Management believes the foreign currency exchange risk derived from currency conversion to be negligible at this time.

iii) Commodity price risk

The Company's financial assets and liabilities are not exposed to price risk with respect to commodity prices. During the year ended December 31, 2009, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

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

The Company considers shareholders' equity as its capital. The Company can access or increase capital through the issuance of its shares or other securities or through bank borrowings.

As at December 31, 2009, the Company has a total capital of \$3,953,964.

The Company's capital is not subject to external restrictions.

There were no changes in the Company's management of capital during the year ended December 31, 2009.

NEWTON ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

10. 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:

	Net loss	Weighted average number of shares	Loss per share - basic and diluted
Year ended December 31, 2009	\$ (677,908)	14,011,261	\$ (0.05)
Year ended December 31, 2008	\$ (921,835)	9,894,688	\$ (0.09)

11. COMMITMENTS

The Company has been awarded five exploration licenses, PEDLs 204, 205 and 208 in which it has a 100% interest and PEDLs 254 and 255 in which it has a 100% interest in the non-coal bed petroleum rights. The Company's rights and obligations in each license are set out in agreements with the British Department for Business Enterprise and Regulatory Reform (the "BERR") and joint operating agreements with the coal bed methane rights holders on PEDLs 254 and 255. These agreements are structured such that the Company has certain rental payments and minimum exploration obligations in the first six years of the license. The exploration obligations are work commitments and do not have specific dollar amounts. During the remaining term of 25 years, the licenses are subject to escalating rental payments. If production extends past this period, the BERR may extend the licenses. The Company can relinquish its licenses at any time without financial penalty. Work and rental commitments are as follows:

License	Date License acquired	Rental per year until 2014	Work commitment
PEDL 204	1-July-08	£2,500	Drill one well to depth of 1,000 m before the end of year 6.
PEDL 205	1-July-08	£2,500	Complete a geochemical survey across 2.5 km ² reprocess 30 km of 2D seismic data in the first 3 years and a drill or drop well commitment.
PEDL 208	1-July-08	£5,000	Firm commitment to obtain 56 kilometers of seismic data and drill a well to depth of 850m before the end of the initial six year term.
PEDL 254	1-July-08	£1,250	Firm commitment to obtain 78 kilometers of seismic data and to drill a well to depth of 800m in the first two years.
PEDL 255	1-July-08	£1,250	Drill or drop well to depth of 800m before the end of year 6.

NEWTON ENERGY CORPORATION
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12. FUTURE INCOME TAXES

a) The components of future income tax balances are as follows:

	December 31, 2009	December 31, 2008
Future income tax asset		
Share issue costs	70,879	\$ 100,949
Non-capital losses	767,849	717,031
Capital losses and other items	208,277	212,236
	1,047,005	1,030,216
Valuation allowance	(1,047,005)	(1,030,216)
	\$ -	\$ -

b) The provision for income taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 29% to the loss for the periods as follows:

	Year ended December 31, 2009	Year ended December 31, 2008
Loss for the year before income taxes	\$ (677,908)	\$ (921,835)
Anticipated income tax recovery	(196,593)	(271,941)
Stock based compensation	4,200	115,811
Share issue cost	(28,352)	(28,841)
Other items	(361)	(152)
Change in net loss carry forward	84,337	185,123
Valuation allowance and foreign losses	136,769	-
Provision for income taxes	\$ -	\$ -

NEWTON ENERGY CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

12. FUTURE INCOME TAXES, Continued

The Company has Canadian non-capital losses of \$2,859,668 to reduce future taxable income which will expire as follows:

	\$
2010	
2014	362,708
2015	925,801
2026	133,523
2027	140,749
2028	544,215
2029	752,672

The Company has UK non-capital losses of \$286,344 (2008, \$77,624) to reduce future taxable income which will be carried forward indefinitely, and has no capital losses.

The Company has net capital losses of \$1,396,175 to reduce future capital gains.