

# **Coastport Capital Inc.**

**Quarterly Financial Statements  
For The Three Months Ended March 31, 2010  
(Unaudited)**

## Notice to Reader

The accompanying unaudited financial statements of Coastport Capital Inc. (“the Company”) have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of the Company’s unaudited interim financial statements as at and for the three months ended March 31, 2010.

# COASTPORT CAPITAL INC.

## Balance Sheets

(Unaudited)

(Canadian Dollars)

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 2,146,365	\$ 648,400
Receivables (note 7)	83,520	49,203
Prepays expenses	14,829	12,063
	2,244,714	709,666
<b>Property and equipment (note 3)</b>	1,195,472	1,254,569
	\$ 3,440,186	\$ 1,964,235
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	\$ 62,415	\$ 37,794
<b>Asset Retirement Obligations (note 4)</b>	74,862	73,474
	137,277	111,268
<b>Shareholders' equity</b>		
Share capital (note 5)	16,462,976	15,057,449
Warrants (note 5)	177,830	-
Contributed surplus	3,446,293	3,437,756
Deficit	(16,784,190)	(16,642,238)
	3,302,909	1,852,967
	\$ 3,440,186	\$ 1,964,235

Nature of operations and going concern (note 1)

Subsequent events (note 10)

Approved by the Directors on behalf of the Board:

"David Patterson"

"Ron Paton"

# COASTPORT CAPITAL INC.

## Statements of Operations

(Unaudited)

(Canadian Dollars)

	Three months ended March 31,	
	2010	2009
<b>Revenue</b>		
Petroleum and natural gas	\$ 95,080	\$ -
Royalties	(16,285)	-
Interest income	1,472	5,839
	<u>80,267</u>	<u>5,839</u>
<b>Expenses</b>		
Production and operating expenses (note 7)	44,285	-
Depletion, depreciation and accretion	60,485	346
Administrative fees	22,500	17,500
Filing and listing fees	6,000	5,500
Foreign currency translation, net	1,523	5,430
Legal fees	1,659	1,979
Management fees (note 7)	30,000	34,029
Office and miscellaneous	2,053	1,895
Promotion	17,061	125
Rent (note 7)	17,275	13,167
Stock-based compensation (note 6)	8,537	1,145
Telephone and communications	870	1,752
Transfer agent fees	1,464	716
Travel	8,507	2,606
	<u>(222,219)</u>	<u>(86,190)</u>
<b>Loss and comprehensive loss for the period</b>	<u>\$ (141,952)</u>	<u>\$ (80,351)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Weighted average number of common shares outstanding</b>	<u>46,293,446</u>	<u>40,983,946</u>

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

## COASTPORT CAPITAL INC.

### Statements of Shareholders' Equity

(Unaudited)

(Canadian Dollars)

	Common Shares		Warrants	Contributed surplus	Deficit	Total shareholders' equity
	Number	Amount				
<b>Balance at December 31, 2009</b>	40,983,946	\$ 15,057,449	\$ -	\$ 3,437,756	\$ (16,642,238)	\$ 1,852,967
Common shares issued:						-
Private placement	13,468,000	1,512,483	171,017	-	-	1,683,500
Share issue costs on private placement	-	(127,732)	(14,443)	-	-	(142,175)
Units issued on private placements	185,000	20,776	2,349	-	-	23,125
Warrants issued on private placements	-	-	18,907	-	-	18,907
Stock-based compensation (note 6)	-	-	-	8,537	-	8,537
Loss for the period	-	-	-	-	(141,952)	(141,952)
<b>Balance at March 31, 2010</b>	<b>54,636,946</b>	<b>\$ 16,462,976</b>	<b>\$ 177,830</b>	<b>\$ 3,446,293</b>	<b>\$ (16,784,190)</b>	<b>\$ 3,302,909</b>

  

	Common Shares		Warrants	Contributed surplus	Deficit	Total shareholders' equity
	Number	Amount				
<b>Balance at December 31, 2008</b>	40,983,946	\$ 15,057,449	\$ 1,378,883	\$ 1,930,676	\$ (16,052,519)	\$ 2,314,489
Stock-based compensation	-	-	-	1,145	-	1,145
Loss for the period	-	-	-	-	(80,351)	(80,351)
<b>Balance at March 31, 2009</b>	<b>40,983,946</b>	<b>\$ 15,057,449</b>	<b>\$ 1,378,883</b>	<b>\$ 1,931,821</b>	<b>\$ (16,132,870)</b>	<b>\$ 2,235,283</b>

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

# COASTPORT CAPITAL INC.

## Statements of Cash Flows

(Unaudited)

(Canadian Dollars)

Cash provided by (used for):	Three months ended March 31,	
	2010	2009
<b>Operating activities</b>		
Loss for the period	\$ (141,952)	\$ (80,351)
Items not involving cash:		
Depletion, depreciation and accretion	60,485	346
Stock-based compensation	8,537	1,145
Changes in non-cash operating working capital items:		
Receivables	(34,317)	(547)
Prepaid expenses	(2,766)	(4,833)
Accounts payable and accrued liabilities	24,621	7,125
	<u>(85,392)</u>	<u>(77,115)</u>
<b>Financing activities</b>		
Common shares issued for cash	1,683,500	-
Share issue costs	(100,143)	-
	<u>1,583,357</u>	<u>-</u>
<b>Change in cash during the period</b>	<b>1,497,965</b>	<b>(77,115)</b>
<b>Cash, beginning of period</b>	<b>648,400</b>	<b>2,505,377</b>
<b>Cash, end of period</b>	<b>\$ 2,146,365</b>	<b>\$ 2,428,262</b>
<b>Supplemental cash flow information</b>		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash financing activities:		
Finders fees paid in units	\$ 23,125	\$ -
Finders fees paid in warrants	\$ 18,907	\$ -

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

**COASTPORT CAPITAL INC.**  
**Notes to the Financial Statements**  
**March 31, 2010**  
(Unaudited)  
(Canadian Dollars)

---

**1. Nature of Operations and Going Concern**

The Company is a public company incorporated on April 14, 2000 under the *Alberta Business Corporations Act*, and on June 1, 2005, the Company was continued into British Columbia under the *Business Corporations Act* of British Columbia. Prior to 2009, the Company's principal business activity was the acquisition and exploration of mineral properties. During the year ended December 31, 2009, the Company abandoned its only mineral property interest and purchased certain producing natural gas properties located in Alberta, Canada (note 3). As such, the Company intends to focus its future business activities on the acquisition, exploration and development of petroleum and natural gas ("P&NG") properties.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business.

For the three months ended March 31, 2010, the Company reported a loss of \$141,952 (2009 - \$80,351) and as of March 31, 2010 has a deficit of \$16,784,190 (December 31, 2009 - \$16,642,238). As at March 31, 2010, the Company had \$2,146,365 in cash available to meet its liabilities as they become due and to complete the acquisition, exploration and development of its P&NG property interests (note 3). The Company's ability to continue as a going concern is dependent upon its ability to secure additional financing on a timely basis, and achieve sufficient positive cash flows to cover obligations and expenses. Management is actively seeking investment capital through the issuance of share capital. Subsequent to March 31, 2010 the Company raised additional equity financing (note 10).

These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations as a going concern.

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010. The balance sheet at December 31, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

**2. Significant Accounting Policies**

These interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended December 31, 2009. For further information, refer to the financial statements and notes thereto included in the Company's Annual Report to Shareholders for the year ended December 31, 2009.

**COASTPORT CAPITAL INC.**  
**Notes to the Financial Statements**  
**March 31, 2010**  
(Unaudited)  
(Canadian Dollars)

**3. Property and Equipment**

	Computer equipment	Furniture & office equipment	Petroleum & natural gas properties	Total
<b>Cost</b>				
Balance at December 31, 2009	\$ 12,538	\$ 4,098	\$ 1,403,714	\$ 1,420,350
Additions	-	-	-	-
<b>Balance at March 31, 2010</b>	<b>\$ 12,538</b>	<b>\$ 4,098</b>	<b>\$ 1,403,714</b>	<b>\$ 1,420,350</b>
<b>Accumulated amortization/depletion</b>				
Balance at December 31, 2009	\$ 8,575	\$ 1,717	\$ 155,489	\$ 165,781
Amortization/depletion	565	119	58,413	59,097
<b>Balance at March 31, 2010</b>	<b>\$ 9,140</b>	<b>\$ 1,836</b>	<b>\$ 213,902</b>	<b>\$ 224,878</b>
<b>Net book value</b>				
Balance at December 31, 2009	\$ 3,963	\$ 2,381	\$ 1,248,225	\$ 1,254,569
<b>Balance at March 31, 2010</b>	<b>\$ 3,398</b>	<b>\$ 2,262</b>	<b>\$ 1,189,812</b>	<b>\$ 1,195,472</b>

The Company's P&NG properties consist of proved producing and unproved, undeveloped properties in Alberta, Canada.

Of the \$1,189,812 of P&NG properties, \$947,234 is categorized as proven and \$242,578 is categorized as unproven. The unproven properties are excluded from costs subject to depletion and depreciation.

**4. Asset Retirement Obligations**

The total asset retirement obligations were estimated by management based on the Company's net ownership interest in all wells, estimated costs to reclaim and abandon the wells and the estimated timing of the costs to be incurred in future periods. The Company has estimated the total undiscounted amount of future cash flows to settle the obligations to be \$170,604 as at March 31, 2010. These payments are expected to be made over the next 7 to 14 years. The Company used a weighted-average credit adjusted risk free discount rate of 7.9% and a weighted-average inflation rate of 2.0% to calculate the present value of the asset retirement obligations.

Balance at December 31, 2009	\$ 73,474
Accretion expense	1,388
<b>Balance at March 31, 2010</b>	<b>\$ 74,862</b>

**COASTPORT CAPITAL INC.**  
**Notes to the Financial Statements**  
**March 31, 2010**  
(Unaudited)  
(Canadian Dollars)

---

**5. Share Capital**

- a) During the three months ended March 31, 2010, the Company completed the following private placement:
- i) On February 25, 2010 the Company closed a non-brokered private placement for gross proceeds of \$1,683,500. The funds were raised through the issuance of 13,468,000 units at a price of \$0.125 per unit. The proceeds of \$1,683,500 were allocated to common shares in the amount of \$1,512,483 and to warrants in the amount of \$171,017, based on their relative fair values on the date of closing. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.20 until August 25, 2010, and at a price of \$0.30 until February 25, 2011. The Company issued 659,960 finders' warrants with the same terms as issued to the subscribers and issued 185,000 units with the same terms as the units issued to the subscribers.

The fair values of the warrants are \$0.02 and were determined based on the Black-Scholes option pricing model assuming no expected dividends, a weighted average risk-free interest rate of 0.27%, an expected stock price volatility of 104% and an expected life of one year.

The Company incurred total issuance costs on the private placement of \$142,175, which were allocated to common shares in the amount of \$127,732 and to warrants in the amount of \$14,443 based on their relative fair values. Of these costs, \$100,143 was incurred in cash, \$18,907 was incurred through the issuance of 659,960 finders' warrants, and \$23,125 was incurred through the issuance of 185,000 units.

- b) Warrants:

	Warrants	Weighted-average exercise price	Weighted-average remaining life (years)
Balance at December 31, 2009	-	\$0.00	0.0
Issued	7,486,460	\$0.25	
<b>Balance at March 31, 2010</b>	<b>7,486,460</b>	<b>\$0.25</b>	<b>0.9</b>

**6. Stock-based Compensation**

The Company uses the fair value based method of accounting for all stock-based awards. During the three months ended March 31, 2010, the Company incurred \$8,537 of compensation cost pursuant to 75,000 stock options granted in fiscal 2009 that vested during the period.

**7. Related Party Transactions**

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following is a summary of the related party transactions that occurred throughout the period ended March 31:

- a) paid or accrued \$30,000 (2009 - \$34,029) for management fees to a company controlled by the CEO and President and to a company controlled by the Vice-President of Exploration;
- b) paid or accrued \$12,000 (2009 - \$13,167) for rent to companies related by a common director; and

**COASTPORT CAPITAL INC.**  
**Notes to the Financial Statements**  
**March 31, 2010**  
(Unaudited)  
(Canadian Dollars)

---

**7. Related Party Transactions (cont'd)**

c) paid or accrued \$8,000 (2009 - \$Nil) for geological consulting fees to a company controlled by a director.

Receivables include \$564 (\$282 – December 31, 2009) owing from related parties. Accounts payable and accrued liabilities include \$6,630 (\$1,942 – December 31, 2009) owing to related parties.

**8. Financial Instruments**

As at March 31, 2010, the Company's financial instruments are cash, receivables, and accounts payable and accrued liabilities. The amounts reflected in the balance sheets are carrying amounts and approximate their fair values due to the short-term nature. These financial instruments are classified as follows:

Cash – held-for-trading  
Receivables – loans and receivables  
Accounts payable and accrued liabilities – other financial liabilities

The Company does not use derivative instruments or hedges to manage risks because the Company's exposure to credit risk, interest rate risk and currency risk is not considered significant.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The credit risk on cash is small because the counterparties are highly rated financial institutions.

The majority of the Company's receivables are with customers in the P&NG industry and are subject to normal industry credit risks. The Company generally extends unsecured credit to these customers and therefore the collection of accounts receivable may be affected by changes in economic or other conditions. The Company believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Company has not experienced any material credit loss in the collection of accounts receivable to date.

The aging of receivables is as follows:

	March 31, 2010	December 31, 2009
Receivables		
0 to 60 days	\$ 55,998	\$ 38,701
61 to 120 days	20,104	10,502
> 120 days	-	-
	<u>\$ 76,102</u>	<u>\$ 49,203</u>

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is not exposed to significant interest rate risk.

**COASTPORT CAPITAL INC.**  
**Notes to the Financial Statements**  
**March 31, 2010**  
(Unaudited)  
(Canadian Dollars)

---

**8. Financial Instruments (cont'd)**

c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to currency risk is small as the Company's operations are in one country, being Canada. The current dollar amount and number of transactions conducted in currencies other than the Canadian dollar are not significant.

As at March 31, 2010, cash includes \$33,075 (US\$32,560) of US denominated cash. As at March 31, 2010, if the Canadian dollar changed by 10% against the US dollar with all other variables remaining constant, the change in loss and comprehensive loss would be insignificant.

d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are all current and due within 90 days of the balance sheet date. The Company ensures that it has sufficient capital to meet short-term financial obligations after taking into account its exploration obligations and cash on hand.

**9. Capital Management**

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing operating costs and to acquire, explore and develop new P&NG properties.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes shareholders' equity in the definition of capital.

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, especially in regard to its P&NG interests. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. There were no changes in the Company's approach to capital management during the three months ended March 31, 2010.

The Company is not exposed to externally imposed capital requirements.

**10. Subsequent Events**

- a) On April 9, 2009, the Company entered into an agreement to acquire all of the issued and outstanding shares of Prairie Exploration Inc. ("Prairie"), a privately held P&NG company, for a consideration of 20 million common shares of the Company.

The Company and Prairie have directors in common, and as such the purchase is a non-arms length transaction. The acquisition closed on May 25, 2010.

**COASTPORT CAPITAL INC.**  
**Notes to the Financial Statements**  
**March 31, 2010**  
(Unaudited)  
(Canadian Dollars)

---

**10. Subsequent Events (cont'd)**

- b) Subsequent to March 31, 2010, the Company closed a non-brokered private placement in an amount of \$548,750 through the issuance of 4,390,000 units at a price of \$0.125 per unit. Each unit consists of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder, on exercise, to purchase one common share at a price of \$0.20 until October 30, 2010, and at a price of \$0.30 until April 30, 2011.

The Company paid finder's fees of \$20,475 and 163,800 finder's warrants, where each finder's warrant is exercisable into one common share at a price of \$0.20 until October 30, 2010 and at a price of \$0.30 until April 30, 2011.