

Coastport Capital Inc.

Quarterly Financial Statements For The Nine Months Ended September 30, 2009 (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 nine months ended September 30, 2009.

COASTPORT CAPITAL INC.

(An Exploration Stage Company)

Balance Sheets

(Unaudited)

(Canadian Dollars)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets		
Cash	\$ 978,482	\$ 2,505,377
Receivables	37,958	4,106
Prepaid expenses	8,761	3,167
	1,025,201	2,512,650
Property and equipment (note 4)	1,071,365	5,187
	\$ 2,096,566	\$ 2,517,837
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 21,486	\$ 203,348
Asset Retirement Obligations (note 5)	72,082	-
	93,568	203,348
Shareholders' equity		
Share capital	15,057,449	15,057,449
Warrants	-	1,378,883
Contributed surplus	3,310,704	1,930,676
Deficit	(16,365,155)	(16,052,519)
	2,002,998	2,314,489
	\$ 2,096,566	\$ 2,517,837

Nature of operations and basis of presentation (note 1)

Subsequent event (note 10)

Approved by the Directors:

"David Patterson" _____

"Laurie Sadler" _____

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

COASTPORT CAPITAL INC.

(An Exploration Stage Company)

Statements of Operations and Deficit

(Unaudited)

(Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Oil and gas				
Revenues	\$ 86,979	\$ -	\$ 86,979	\$ -
Royalties	(12,961)	-	(12,961)	-
Production and operating expenses	(49,045)	-	(49,045)	-
	24,973	-	24,973	-
General and administrative				
Accretion, amortization and depletion	97,461	870	98,154	2,610
Administrative fees	21,000	18,500	58,000	61,500
Audit and accounting	-	-	1,892	2,210
Filing and listing fees	1,200	2,495	9,195	8,395
Foreign currency translation	299	(137)	(10,310)	906
Legal fees	6,997	3,177	8,976	7,442
Management fees	35,005	23,453	106,329	92,182
Office and miscellaneous	17,294	18,486	21,549	22,633
Promotion	2,130	25	14,637	33,034
Rent	12,000	9,500	37,167	28,500
Stock-based compensation (note 6)	-	1,144	1,145	102,107
Telephone and communications	2,175	1,723	6,584	5,629
Transfer agent fees	2,660	2,791	4,190	4,697
Travel	262	3,496	3,661	7,761
	(198,483)	(85,523)	(361,169)	(379,606)
Other items				
Interest income	1,693	18,071	9,826	66,291
Forgiveness of debt	-	-	13,734	-
	1,693	18,071	23,560	66,291
Loss and comprehensive loss for the period	\$ (171,817)	\$ (67,452)	\$ (312,636)	\$ (313,315)
Basic and diluted loss per common share	\$ -	\$ -	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	40,983,946	40,983,946	40,983,946	40,928,019

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

COASTPORT CAPITAL INC.

(An exploration stage company)

Statements of Shareholders' Equity

(Unaudited)

(Canadian Dollars)

	Common Shares		Warrants	Contributed surplus	Deficit	Total shareholders' equity
	Number	Amount				
Balance at December 31, 2008	40,983,946	\$ 15,057,449	\$ 1,378,883	\$ 1,930,676	\$ (16,052,519)	\$ 2,314,489
Expiry of warrants	-	-	(1,378,883)	1,378,883	-	-
Stock-based compensation (note 6)	-	-	-	1,145	-	1,145
Loss for the period	-	-	-	-	(312,636)	(312,636)
Balance at September 30, 2009	40,983,946	\$ 15,057,449	\$ -	\$ 3,310,704	\$ (16,365,155)	\$ 2,002,998

	Common Shares		Warrants	Contributed surplus	Deficit	Total shareholders' equity
	Number	Amount				
Balance at December 31, 2007	40,217,752	\$ 14,900,532	\$ 1,378,883	\$ 1,827,425	\$ (8,314,669)	\$ 9,792,171
Mineral property option payments	766,194	156,917	-	-	-	156,917
Stock-based compensation	-	-	-	102,107	-	102,107
Loss for the period	-	-	-	-	(313,315)	(313,315)
Balance at September 30, 2008	40,983,946	\$ 15,057,449	\$ 1,378,883	\$ 1,929,532	\$ (8,627,984)	\$ 9,737,880

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COASTPORT CAPITAL INC.

(An Exploration Stage Company)

Statements of Cash Flows

(Unaudited)

(Canadian Dollars)

Cash provided by (used for):	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Operating activities				
Loss for the period	\$ (171,817)	\$ (67,452)	\$ (312,636)	\$ (313,315)
Items not involving cash:				
Accretion, amortization and depletion	97,461	870	98,154	2,610
Stock-based compensation	-	1,144	1,145	102,107
Forgiveness of debt	-	-	(13,734)	-
Changes in non-cash operating working capital items:				
Receivables	(761)	2,874	(33,852)	4,764
Prepaid expenses	(32,043)	-	(5,594)	4,189
Accounts payable and accrued liabilities	8,331	(8,300)	(168,128)	(126,946)
	(98,829)	(70,864)	(434,645)	(326,591)
Investing activities				
Property and equipment	(1,092,250)	(5,348)	(1,092,250)	(377,755)
Change in cash during the period	(1,191,079)	(76,212)	(1,526,895)	(704,346)
Cash, beginning of period	2,169,561	2,640,261	2,505,377	3,268,395
Cash, end of period	\$ 978,482	\$ 2,564,049	\$ 978,482	\$ 2,564,049
Supplemental cash flow information				
Cash paid for interest	\$ -	\$ -	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -
Non-cash financing and investing activities:				
Common shares issued for acquisition of mineral properties	\$ -	\$ -	\$ -	\$ 156,917
Asset retirement obligations included in property and equipment	\$ 71,067	\$ -	\$ 71,067	\$ -

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

COASTPORT CAPITAL INC.

(An Exploration Stage Company)

Notes to the Financial Statements

September 30, 2009

(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*. On June 1, 2005, the Company was continued into British Columbia under the *Business Corporations Act of British Columbia*. The Company's principal business activity has been the acquisition and exploration of mineral properties. During the nine months ended September 30, 2009, the Company abandoned its only mineral property interest and purchased certain producing natural gas properties located in South and East Central Alberta (note 4). As such, the Company intends to focus its future business activities on the acquisition, exploration and development of oil and gas 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.

The Company reported a loss of \$312,636 (2008 - \$313,315) for the nine months ended September 30, 2009 and reported a deficit of \$16,365,155 (December 31, 2008 - \$16,052,519) as at September 30, 2009. As at September 30, 2009, the Company had \$978,482 in cash available to meet its liabilities as they become due and to finance future business opportunities (note 4). The Company's ability to continue as a going-concern is dependent upon its ability to secure additional financing on a timely basis, achieve sufficient cash flows to cover obligations and expenses, and identify and acquire a viable asset, property or business. 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 nine month period ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ended December 31, 2009. The balance sheet at December 31, 2008 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, 2008 (except as described in note 3). 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, 2008.

COASTPORT CAPITAL INC.

(An Exploration Stage Company)

Notes to the Financial Statements

September 30, 2009

(Unaudited)

(Canadian Dollars)

3. Changes in Accounting Policies

- a) In January 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC-173 "*Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*", which clarifies that an entities own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173. The Company adopted this recommendation in its fair value determinations effective January 1, 2009 and this new recommendation did not impact the Company's financial results.
- b) In March 2009, the EIC issued EIC-174 "*Mining Exploration Costs*", which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-174. The Company adopted this recommendation in its fair value determinations effective for the year ended December 31, 2008. This new standard did not impact the Company's financial results.
- c) Pursuant to the purchase of certain producing natural gas properties located in South and East Central Alberta (note 4), the Company has adopted the full-cost method of accounting for costs of oil and gas properties. All costs relating to exploration and development of petroleum and natural gas are capitalized. Such costs by area of interest include geological and geophysical expenditures, land acquisition costs and costs of drilling productive and non-productive wells and general and administrative costs directly related to exploration and development activities.

When and if production is attained, these costs are depleted using the units of production method based upon estimated proven recoverable reserves. The Company applies a ceiling test in respect of producing properties to determine that the capitalized costs of producing properties will be recovered from estimated net future revenues from the production of proved reserves at year-end oil and gas prices. No gains or losses are ordinarily recognized upon the sale or disposition of oil and gas properties within a specified area of interest, except under circumstances which result in a major disposal of assets or a sale or abandonment of an entire area of interest.

The carrying value of capitalized costs for producing and exploration stage oil and gas properties are separately reviewed at each reporting period to determine if impairment in value is indicated. Should impairment occur, the carrying value will be written down to the estimated net recoverable amount. Future depletion charges will be based on the revised carrying values for producing properties.

Costs incurred for initial new property investigation where no acquisition occurs are expensed as incurred.

COASTPORT CAPITAL INC.

(An Exploration Stage Company)

Notes to the Financial Statements

September 30, 2009

(Unaudited)

(Canadian Dollars)

4. Property and Equipment

	Computer equipment	Furniture & office equipment	Petroleum & natural gas properties	Total
Cost				
Balance at December 31, 2008	\$ 9,478	\$ 2,974	\$ -	\$ 12,452
Additions	2,182	-	1,161,135	1,163,317
Balance at September 30, 2009	\$ 11,660	\$ 2,974	\$ 1,161,135	\$ 1,175,769
Accumulated amortization/depletion				
Balance at December 31, 2008	\$ 6,003	\$ 1,262	\$ -	\$ 7,265
Amortization/depletion	1,327	257	95,555	97,139
Balance at September 30, 2009	\$ 7,330	\$ 1,519	\$ 95,555	\$ 104,404
Net book value				
Balance at December 31, 2008	\$ 3,475	\$ 1,712	\$ -	\$ 5,187
Balance at September 30, 2009	\$ 4,330	\$ 1,455	\$ 1,065,580	\$ 1,071,365

In July 2009, the Company purchased certain producing natural gas properties located in South and East Central Alberta. The assets were acquired from a private Alberta corporation (the "Vendor") for a purchase price of \$1,087,000 (subject to adjustments). Pursuant to the acquisition, the Company acquired an interest in oil and gas leases covering 2,560 gross hectares (984.58 net hectares). The effective date of purchase was June 1, 2009.

Production from the properties is comprised of predominantly natural gas and associated liquids from 7 producing wells. The Company has acquired a 45% working interest in 5 producing wells, a 24% working interest in 1 producing well and a 21.6% working interest in 1 producing well. Included in the acquisition is a 45% working interest in 2 wells that are not producing. The interests acquired by the Company are non-operating working interests.

Concurrently, the Company executed an Area of Mutual Interest Agreement ("AMI") with the Vendor wherein both parties wish to pursue certain opportunities to purchase crown lease rights and jointly drill wells in the area.

5. 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 September 30, 2009. These payments are expected to be made over the next 8 to 15 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.

COASTPORT CAPITAL INC.

(An Exploration Stage Company)

Notes to the Financial Statements

September 30, 2009

(Unaudited)

(Canadian Dollars)

5. Asset Retirement Obligations (cont'd)

Balance at December 31, 2008	\$	-
Liabilities incurred		71,067
Accretion expense		1,015
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Balance at September 30, 2009	\$	72,082
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6. Stock-based Compensation

The Company uses the fair value based method of accounting for all stock-based awards. During the nine months ended September 30, 2009, the Company incurred \$1,145 of compensation cost pursuant to 25,000 stock options granted in fiscal 2008 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 September 30:

- a) paid or accrued \$106,329 (2008 - \$92,183) 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 \$37,167 (2008 - \$28,500) for rent to companies related by a common director; and
- c) paid or accrued \$Nil (2008 - \$13,198) for technical geological services to a company controlled by the Vice-President of Exploration.

Receivables include \$282 (\$286 – December 31, 2008) owing from related parties.

8. Financial Instruments

As at September 30, 2009, the Company's financial instruments are cash, receivables, and accounts payable and accrued liabilities. The amounts reflected in the balance sheet are carrying amounts and approximate their fair values due to the short-term nature and negligible credit losses. These financial instruments are classified as follows:

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

- 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.

COASTPORT CAPITAL INC.

(An Exploration Stage Company)

Notes to the Financial Statements

September 30, 2009

(Unaudited)

(Canadian Dollars)

8. Financial Instruments (cont'd)

The majority of the Company's receivables are with customers in the petroleum and natural gas 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:

	September 30, 2009	December 31, 2008
Receivables		
0 to 60 days	\$ 35,506	\$ 4,106
61 to 120 days	2,452	-
> 120 days	-	-
	<u>\$ 37,958</u>	<u>\$ 4,106</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 exposed to interest rate risk as the Company invests cash at floating rates of interest in highly liquid instruments. Fluctuations in interest rates offset the fair value of variable rate deposits and other highly liquid investments.

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 was exposed to currency risk from its exploration program in Ecuador where the costs incurred were in US dollars while the Company finances its operations in Canadian dollars. The Company's current exposure to currency risk is small as the Company's operations are now 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 September 30, 2009, cash includes \$3,459 (US\$3,230) of US denominated cash. As at September 30, 2009, if the Canadian dollar strengthened by 10% against the US dollar with all other variables remaining constant, loss and comprehensive loss would have been \$293 higher. Conversely, if the Canadian dollar weakened by 10% against the US dollar with all other variables remaining constant, loss and comprehensive loss would have been \$372 lower.

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 and cash equivalents on hand.

COASTPORT CAPITAL INC.

(An Exploration Stage Company)

Notes to the Financial Statements

September 30, 2009

(Unaudited)

(Canadian Dollars)

8. Financial Instruments (cont'd)

e) Commodity price risk

Commodity price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in commodity prices. The Company's petroleum and natural gas properties and revenues are exposed to the fluctuations in petroleum and natural gas prices. The Company currently does not use derivative financial instruments to mitigate this risk as the Company feels the risks are small based on the small amounts of production the Company currently has.

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 oil and gas properties.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes shareholders' equity and debt 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 regards to its mineral properties. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to externally imposed capital requirements.

10. Subsequent Event

Subsequent to September 30, 2009, the Company granted 4,098,000 stock options to directors, officers, employees and consultants with an exercise price of \$0.10 expiring on November 4, 2010.