



## **COAST COPPER CORP.**

(An Exploration Stage Corporation)

### **CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2023**

**(Unaudited - Expressed in Canadian Dollars)**

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## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors of Coast Copper Corp.

Coast Copper Corp.'s independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

**COAST COPPER CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2023	December 31, 2022
<b>ASSETS</b>		\$	\$
<b>Current</b>			
Cash		116,170	80,898
Receivables		8,590	69,319
Receivable from Skeena	3	888,728	874,756
Prepaid expenses and deposits		4,811	7,852
Marketable securities	4	25,975	335,746
		<b>1,044,274</b>	<b>1,368,571</b>
<b>Non-Current</b>			
Exploration and evaluation assets	5	439,069	470,834
Property		4,710	5,131
Receivable from Skeena	3	1,447,493	1,424,068
Reclamation deposit		13,642	13,642
		<b>1,904,914</b>	<b>1,913,675</b>
		<b>2,949,188</b>	<b>3,282,246</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	10(b)	105,520	126,630
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	9,995,738	9,995,738
Other equity reserves	6(e)	413,425	394,729
Deficit		(7,565,495)	(7,234,851)
		<b>2,843,668</b>	<b>3,155,616</b>
		<b>2,949,188</b>	<b>3,282,246</b>

**Nature of operations and going concern (Note 1)**

**Subsequent events (Notes 3 and 5(a)(vi))**

Approved on behalf of the Board:

"Dale Wallster", Director

"Adam Travis", Director

**COAST COPPER CORP.**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE THREE MONTHS ENDED MARCH 31**  
(Unaudited - expressed in Canadian dollars)

	Note	<u>2023</u>	<u>2022</u>
		\$	\$
<b>Expenses</b>			
Amortization		421	-
Consulting	10(a)	28,167	20,627
Director fees	10(a)	16,500	16,500
Exploration expenditures	5, 10(a)	86,138	826,820
Investor relations		48,519	85,538
Office and administration		14,356	11,598
Professional fees		20,414	10,143
Salaries and personnel costs	10(a)	59,649	57,296
Share-based payments expense	6(e), 10(a)	18,696	55,779
Transfer agent, regulatory and filing fees		10,284	9,514
		<u>303,144</u>	<u>1,093,815</u>
<b>Other items</b>			
Accretion of receivable from Skeena	3	(37,397)	-
Interest income		(46)	(784)
Realized gain on sale of marketable securities	4	(29,706)	-
Settlement of flow-through share premium liability on incurring eligible expenditures		-	(116,837)
Unrealized loss on marketable securities	4	59,771	17,316
Write-off of exploration and evaluation assets	5(a)(vi)	34,878	1,066
		<u>27,500</u>	<u>(99,239)</u>
<b>Loss and comprehensive loss for the period</b>		<u>(330,644)</u>	<u>(994,576)</u>
<b>Basic and diluted loss per share</b>		\$ (0.01)	\$ (0.02)
<b>Basic and diluted weighted average number of shares outstanding</b>		64,001,690	55,321,134

**COAST COPPER CORP.**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited - expressed in Canadian dollars)

	Note	Number of shares	Share capital \$	Other equity reserves \$	Deficit \$	Total \$
<b>Balance, December 31, 2021</b>		<b>55,296,690</b>	<b>9,555,622</b>	<b>326,658</b>	<b>(7,585,497)</b>	<b>2,296,783</b>
Loss for the period		-	-	-	(994,576)	(994,576)
Shares issued pursuant to warrant exercise	6(b)	105,000	10,500	-	-	10,500
Reclass of exercised warrants	6(e)	-	2,119	(2,119)	-	-
Share-based payments expense	6(e)	-	-	55,779	-	55,779
<b>Balance, March 31, 2022</b>		<b>55,401,690</b>	<b>9,568,241</b>	<b>380,318</b>	<b>(8,580,073)</b>	<b>1,368,486</b>
Income for the period		-	-	-	1,298,377	1,298,377
Private placement, net of share issue costs		8,000,000	391,497	-	-	391,497
Shares issued pursuant to acquisition of mineral properties		600,000	36,000	-	-	36,000
Share-based payments expense		-	-	61,256	-	61,256
Reclass of expired warrants		-	-	(46,845)	46,845	-
<b>Balance, December 31, 2022</b>		<b>64,001,690</b>	<b>9,995,738</b>	<b>394,729</b>	<b>(7,234,851)</b>	<b>3,155,616</b>
Loss for the period		-	-	-	(330,644)	(330,644)
Share-based payments expense	6(e)	-	-	18,696	-	18,696
<b>Balance, March 31, 2023</b>		<b>64,001,690</b>	<b>9,995,738</b>	<b>413,425</b>	<b>(7,565,495)</b>	<b>2,843,668</b>

**COAST COPPER CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31**  
(Unaudited - expressed in Canadian dollars)

	Note	<u>2023</u>	<u>2022</u>
		\$	\$
<b>Operating Activities</b>			
Loss for the period		(330,644)	(994,576)
Items not involving cash:			
Amortization		421	-
Accretion of Skeena receivable	3	(37,397)	-
Realized gain on sale of marketable securities	4	(29,706)	-
Settlement of flow-through share premium liability		-	(116,837)
Share-based payments expense	6(e)	18,696	55,779
Unrealized loss on marketable securities	4	59,771	17,316
Write-off of exploration and evaluation asset	5(a)(vi)	34,878	1,066
Net change in non-cash working capital	7	<u>42,660</u>	<u>271,411</u>
<b>Cash used in operating activities</b>		<u>(241,321)</u>	<u>(765,841)</u>
<b>Investing Activities</b>			
Acquisition of exploration and evaluation assets	5	(3,113)	(5,083)
Proceeds on sale of Skeena shares	4	<u>279,706</u>	-
<b>Cash provided by (used in) investing activities</b>		<u>276,593</u>	<u>(5,083)</u>
<b>Financing Activity</b>			
Proceeds pursuant to exercise of warrants	6(b)	-	10,500
<b>Cash provided by financing activity</b>		<u>-</u>	<u>10,500</u>
<b>Net increase (decrease) in cash</b>		<b>35,272</b>	<b>(760,424)</b>
Cash, beginning of period		<u>80,898</u>	<u>1,449,264</u>
<b>Cash, end of period</b>		<u><u>116,170</u></u>	<u><u>688,840</u></u>
<b>Supplemental cash flow information</b>	7		

**COAST COPPER CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023**  
(Unaudited - expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Coast Copper Corp. ("**Coast Copper**" or the "**Corporation**") was incorporated as Roughrider Exploration Limited on December 7, 2011 under the British Columbia Business Corporations Act. Effective September 28, 2021, the Corporation changed its name from Roughrider Exploration Limited to Coast Copper Corp. The Corporation is listed on the TSX Venture Exchange ("**TSX-V**") as a Tier 2 Mining Issuer under the trading symbol "COCO". The principal business of the Corporation is the exploration and evaluation of mineral properties. The principal focus of the Corporation is exploring its portfolio of mineral properties, including the Empire Mine property located on northern Vancouver Island, British Columbia ("**BC**"). The Company's sole operating and geographical segment is the exploration and evaluation of mineral interests in Canada.

The address of the Corporation's head office and registered office is Suite 904 - 409 Granville Street, Vancouver, BC, Canada, V6C 1T2.

These condensed interim financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Corporation had a loss of \$330,644 for the three months ended March 31, 2023 (2022: \$994,576). At March 31, 2023, the Corporation had an accumulated deficit of \$7,565,495. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Corporation has incurred operating losses in its exploration operations and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Corporation to obtain necessary financing to complete their development and fund their operations until commercially successful and future production or proceeds from the disposition thereof. While the Corporation has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future, therefore, a material uncertainty exists that may cast significant doubt about the Corporation's ability to continue as a going concern.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

Recent global issues, including the ongoing COVID-19 pandemic and the 2022 Russian invasion of Ukraine have adversely affected workplaces, economies, supply chains and financial markets globally. It is not possible for the Corporation to predict the duration or magnitude of the adverse results of these issues and their effects on the Corporation's business or results of operations at this time.

**2. BASIS OF PREPARATION**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("**IAS 34**") as issued by the International Accounting Standards Board ("**IASB**") using accounting principles consistent with International Financial Reporting Standards ("**IFRS**") as issued by the IASB.

These condensed interim financial statements should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2021 which include the accounting policies used in the preparation of these condensed interim financial statements.

These condensed interim financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

**COAST COPPER CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**2. BASIS OF PREPARATION** (continue)

The Board of Directors (the “**Board**”) approved these condensed interim financial statements on May 24, 2023.

**3. RECEIVABLE FROM SKEENA**

On October 18, 2022, the Corporation completed the sale of its 100% interest in the Gin, Eldorado and Bonanza properties (collectively the “**Red Chris Properties**”), which are located in the Golden Triangle area of northern B.C., to Skeena Resources Limited (“**Skeena**”) for aggregate proceeds of \$3,000,000 in cash and shares (“**Purchase Price**”), with payments as follows:

	<b>Cash</b>	<b>Share issuance</b>	<b>Total</b>
	\$	\$	\$
Upon Closing (October 18, 2022)	250,000 (received)	250,000 (received)	500,000
April 18, 2023	250,000 (received)	250,000 (received)	500,000
October 18, 2023	250,000	250,000	500,000
April 18, 2024	250,000	250,000	500,000
October 18, 2024	250,000	250,000	500,000
April 18, 2025	<u>250,000</u>	<u>250,000</u>	<u>500,000</u>
	<b>1,500,000</b>	<b>1,500,000</b>	<b>3,000,000</b>

As a result of a portion of the cash and shares being recoverable over a 30-month period, the original \$2,500,000 receivable portion of the proceeds was discounted to a fair value of \$2,268,688 on the closing date (“**Closing Date**”).

As part of the Purchase Price, the Corporation received the first tranche cash payment of \$250,000 and 39,936 common shares of Skeena with a value of \$250,000. Under the terms of an asset purchase agreement, at each six-month anniversary of the Closing Date, ending 30 months from the Closing Date, Skeena shall pay Coast Copper \$250,000 in cash and shall issue Skeena common shares to Coast Copper with a value of \$250,000. Each tranche of Skeena shares issued under this transaction will be subject to a hold period expiring four months and one day from the date of issuance.

In April 2023, the Corporation received the second tranche cash payment of \$250,000 and 30,413 common shares of Skeena with a value of \$250,000.

In connection with the Red Chris Properties sale, the Corporation’s Chief Executive Officer (“**CEO**”) and Chair of the Board were each awarded cash bonuses of up to \$36,000, for an aggregate total of up to \$72,000. The first tranche of \$12,000 was paid in November 2022. The remaining \$60,000 will be paid in five equal instalments, ending 30 months from the Closing Date. The remaining bonus payments are conditional on collection of the Skeena receivables and will be recorded upon collection.

As a result of the Corporation receiving the cash and Skeena shares in April 2023, in May 2023, the Corporation made the aggregate second tranche bonus payment of \$12,000 to the CEO and Chair of the Board.

The Eldorado property is subject to a 2% net smelter returns (“**NSR**”) royalty, half of which is owned by Cazador Resources Ltd. (“**Cazador**”), a private company controlled by the Corporation’s CEO.

As a result of the sale of the Red Chris Properties, the Corporation recorded a receivable from Skeena which was calculated using a discount rate of 8% over the remaining term. The receivable will be accreted to operations over the life of the receivable.



**COAST COPPER CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023**  
(Unaudited - expressed in Canadian dollars)

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**3. RECEIVABLE FROM SKEENA** (continued)

The continuity of the receivable from Skeena is as follows:

	\$
Balance December 31, 2022	2,298,824
Accretion of receivable	37,397
	<u>2,336,221</u>
Balance March 31, 2023	<u>2,336,221</u>
Current portion	888,728
Non-current portion	1,447,493
	<u>2,336,221</u>

As of March 31, 2023, the future receipts of cash and shares from Skeena were as follows:

Year ending December 31:	\$
2023	1,000,000
2024	1,000,000
2025	500,000
	<u>2,500,000</u>
Less: amount representing accretion	(163,779)
Present value of net receivable payments	<u>2,336,221</u>

**4. MARKETABLE SECURITIES**

Marketable securities are financial assets measured at fair value through profit or loss (“FVTPL”). At March 31, 2023, they consisted of an investment of 865,817 free-trading common shares of EuroPacific Metals Inc. (“EuroPacific”) (formerly Goldplay Mining Inc.) (Note 5(a)(ii)). The fair value of marketable securities has been determined by reference to published price quotations in an active market, a Level 1 valuation.

During the three months ended March 31, 2023, the Corporation sold the first tranche of 39,936 common shares of Skeena for gross proceeds of \$279,706, recording a gain on sale of marketable securities of \$29,706.

A summary of the changes in FVTPL investments is presented below:

	\$
Balance December 31, 2022	335,746
Sale of FVTPL investments (39,936 Skeena shares)	(250,000)
Unrealized loss	(59,771)
	<u>25,975</u>
Balance, March 31, 2023	<u>25,975</u>

**COAST COPPER CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023**  
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**5. EXPLORATION AND EVALUATION ASSETS**

**a) BRITISH COLUMBIA**

**i) EMPIRE MINE PROPERTY**

On September 22, 2020, the Corporation entered into an option agreement to acquire a 100% interest in the Empire Mine property (the “**Empire Option Agreement**”) from Mirva Properties Ltd. (“**Mirva**”). The Empire Mine property consists of mineral claims (the “**Greater Empire Claims**”) and crown grants (the “**Quatsino Crown Grants**”) all located in the Rupert District on northern Vancouver Island, BC, near Port McNeill.

In order to earn a 100% interest in the Greater Empire Claims, the Corporation must make aggregate cash payments of \$750,000, issue 3,000,000 common shares of the Corporation to Mirva and complete work commitments totaling \$2,000,000 over a four-year period, as follows:

	<b>Cash payment</b>	<b>Share issuance</b>	<b>Work commitment</b>
	\$		\$
Upon regulatory approval	50,000 (paid)	200,000 (issued)	N/A
By September 22, 2021	100,000 (paid)	400,000 (issued)	200,000 (completed)
By September 22, 2022	150,000 (paid)	600,000 (issued)	400,000 (completed)
By September 22, 2023	200,000	800,000	600,000 (completed)
By September 22, 2024	<u>250,000</u>	<u>1,000,000</u>	<u>800,000</u> (completed)
	<b>750,000</b>	<b>3,000,000</b>	<b>2,000,000</b>

The share issuance of 200,000 common shares was valued at \$38,000. The share issuances of 400,000 and 600,000 common shares were each valued at \$36,000.

In order to earn a 100% interest in the Quatsino Crown Grants, the Corporation must pay Mirva the equivalent of \$500,000 with either a cash payment or equivalent value in common shares of the Corporation, at the Corporation’s election, on or before September 22, 2025.

The Corporation has the option to extend the Quatsino Crown Grants payment date to September 22, 2026 for an additional payment of \$35,000, to September 22, 2027 for a further additional payment of \$55,000 and to September 22, 2028 for a further additional payment of \$75,000.

Mirva has retained a 2% NSR royalty on the Empire Mine property, of which 1% may be purchased for \$1,000,000 at any time up to 120 days after commencement of commercial production. The Empire Option Agreement has been structured such that this NSR royalty plus all other NSR royalties which may currently exist and be payable on the Empire Mine property will not exceed in aggregate 2.5% before buydowns.

**ii) SCOTTIE WEST PROPERTY**

In May 2020, the Corporation staked the Scottie West property located in the Golden Triangle area of northern BC, near the District of Stewart.

**COAST COPPER CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2023**  
(Unaudited - expressed in Canadian dollars)

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**5. EXPLORATION AND EVALUATION ASSETS (continued)**

**a) BRITISH COLUMBIA (continued)**

**ii) SCOTTIE WEST PROPERTY (continued)**

On November 20, 2020, the Corporation entered into a farm-out agreement with EuroPacific whereby EuroPacific can earn a 70% interest in the Corporation's Scottie West property by making aggregate cash payments of \$500,000, issuing common shares of EuroPacific to the Corporation with a total value of \$500,000 and incurring a minimum of \$1,000,000 of exploration expenditures on the property over a four-year period.

By November 19, 2022, the Corporation had received cash payments totaling \$50,000 from EuroPacific and 865,817 common shares of EuroPacific with a total value of \$75,000. In addition, EuroPacific had incurred more than \$300,000 of exploration expenditures on the Scottie West property.

On November 20, 2022, the Corporation received notice from EuroPacific that it will not be continuing with the farm-out agreement, and consequently the farm-out agreement was terminated.

During the three months ended March 31, 2023, the Corporation staked one additional Scottie West claim for \$3,113.

**iii) HOME BREW PROPERTY**

The Corporation owns a 100% interest in two mineral claims located in south central BC, called the Home Brew property, with a carrying value of \$2,500 at March 31, 2023.

**iv) KNOB HILL PROPERTY**

The Corporation owns a 100% interest in certain claims located on northern Vancouver Island called the Knob Hill property, with a carrying value of \$8,121 at March 31, 2023.

**v) JACOBIE AND POLLEY EAST PROPERTIES**

In January 2022, the Corporation staked the Jacobie and Polley East properties both located in central BC. Total cost of the staking was \$1,583 and \$722, respectively. In June 2022, the Corporation sold the Jacobie and Polley East claims for \$1,583 and \$722, respectively. The Corporation has retained a 1% NSR royalty on the properties, half of which can be repurchased for \$750,000.

**vi) SHOVELNOSE PROPERTY**

In April 2022, the Corporation staked the Shovelnose South property located in south-central BC. Total staking costs were \$34,878. In April 2023, the Corporation allowed the Shovelnose claims to lapse and consequently wrote off to operations the capitalized costs of \$34,878 during the three months ended March 31, 2023.

**b) SASKATCHEWAN**

**GENESIS PROPERTY**

The Corporation owns a 50% interest in the Genesis property, with a carrying value of \$Nil, located in the Athabasca Basin region of Canada.

**COAST COPPER CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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(Unaudited - expressed in Canadian dollars)

**5. EXPLORATION AND EVALUATION ASSETS (continued)**

**Exploration and evaluation assets**

A summary of the changes in exploration and evaluation assets is presented below:

	Note	Empire Mine \$	Scottie West \$	Home Brew \$	Knob Hill \$	Shovelnose \$	Total \$
Balance, December 31, 2022		425,335	-	2,500	8,121	34,878	<b>470,834</b>
Staking		-	3,113	-	-	-	<b>3,113</b>
Write off	5(a)(vi)	-	-	-	-	(34,878)	<b>(34,878)</b>
Change during the period		-	3,113	-	-	(34,878)	<b>(31,765)</b>
Balance, March 31, 2023		<b>425,335</b>	<b>3,113</b>	<b>2,500</b>	<b>8,121</b>	<b>-</b>	<b>439,069</b>

**Exploration expenditures**

The Corporation's exploration expenditures for the three months ended March 31, 2023 were as follows:

	Empire \$	Knob Hill \$	Scottie West \$	Total \$
Analysis	110	776	-	<b>886</b>
Camp	(580)	-	-	<b>(580)</b>
Community engagement	497	-	-	<b>497</b>
Field equipment	-	48	-	<b>48</b>
Geological consulting	40,488	675	2,318	<b>43,481</b>
Labour and benefits	3,003	-	-	<b>3,003</b>
Overhead	38,803	-	-	<b>38,803</b>
	<b>82,321</b>	<b>1,499</b>	<b>2,318</b>	<b>86,138</b>

**6. SHARE CAPITAL AND RESERVES**

**a) Authorized**

An unlimited number of common shares without par value  
An unlimited number of preference shares without par value

**b) Share issuance details**

***Three months ended March 31, 2023***

There were no share issuances during the three months ended March 31, 2023.

***Three months ended March 31, 2022***

In March 2022, 105,000 common shares of the Corporation were issued pursuant to the exercise of 105,000 warrants with an exercise price of \$0.10 per share for proceeds of \$10,500.

**COAST COPPER CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**6. SHARE CAPITAL AND RESERVES (continued)**

**c) Stock options**

The Corporation has a 20% fixed long-term incentive plan whereby the Corporation may grant certain awards to directors, officers, employees and consultants, including stock options, to an aggregate maximum of 12,800,338 common shares. The exercise price, term and vesting period of each option are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price \$
Balance, December 31, 2022	5,645,000	0.13
Granted	100,000	0.07
Balance, March 31, 2023	5,745,000	0.11

The following stock options were outstanding as at March 31, 2023:

Outstanding	Exercisable	Weighted average Exercise Price (outstanding) \$	Expiry Date	Weighted average remaining life (in years)
1,375,000	1,375,000	0.18	June 1, 2025	2.17
200,000	200,000	0.18	January 11, 2026	2.79
2,515,000	2,515,000	0.10	October 28, 2026	3.58
100,000	75,000	0.12	April 8, 2027	4.02
1,455,000	363,750	0.05	November 24, 2027	4.65
100,000	-	0.07	March 3, 2028	4.93
<u>5,745,000</u>	<u>4,528,750</u>	<u>0.11</u>		<u>3.52</u>

**d) Share purchase warrants**

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2022 and March 31, 2023	15,498,152	0.12

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**6. SHARE CAPITAL AND RESERVES (continued)**

**d) Share purchase warrants (continued)**

The following warrants were outstanding as at March 31, 2023:

Outstanding	Exercisable	Exercise Price	Expiry Date
		\$	
7,498,152	7,498,152	0.15	May 25, 2023
8,000,000 <sup>1</sup>	8,000,000	0.10	September 28, 2024
<u>15,498,152</u>	<u>15,498,152</u>		

1 If the volume-weighted average price of the Corporation's common shares on the TSX Venture Exchange is greater than \$0.20 per share for a period of 10 consecutive trading days, the Corporation may elect to accelerate the expiry date of part or all of the 8,000,000 warrants by giving notice thereof to the holders of the warrants, and in such case that portion of the warrants would be subject to an expiry date that is 30 business days after the date on which such notice is given by the Corporation.

**e) Share-based payments expense**

The share-based payments expense for the stock options, based on vesting schedules, during the three months ended March 31, 2023 was \$18,696 (2022: \$55,779).

The fair value of the stock options that were granted during the three months ended March 31, 2023 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	3.15%
Expected stock price volatility	79%
Expected dividend yield	0.0%
Expected option life in years	5.0

The weighted average fair value at grant date of options granted during the three months ended March 31, 2023 was \$0.05.

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

During the three months ended March 31, 2023, the Corporation reclassified \$Nil (2022: \$2,119) from other equity reserves to share capital pursuant to warrants that were exercised.

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**7. SUPPLEMENTAL CASH FLOW INFORMATION**

The net change in non-cash operating working capital balances for the three months ended March 31 consisted of the following:

	2023	2022
	\$	\$
Receivables	60,729	12,310
Prepaid expenses	3,041	(60,519)
Accounts payable and accrued liabilities	(21,110)	319,620
	<u>42,660</u>	<u>271,411</u>

There were no non-cash investment or financing transactions for the three months ended March 31, 2023 or 2022.

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Corporation examines the various financial instruments to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk (including interest rate, currency and other price risk). The risk related to financial instruments is managed by senior management of the Corporation under directions approved by the Board.

**Financial instruments**

Cash, receivables, receivable from Skeena, reclamation deposit and accounts payable and accrued liabilities are carried at amortized cost as they approximate their fair values due to the short-term nature of the financial instruments. Marketable securities are measured using level 1 of the fair value hierarchy.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

**Financial risk factors**

The Corporation's risk exposures and the impact on the Corporation's financial statements is summarized below:

**a) Credit risk**

Financial instruments that potentially subject the Corporation to a significant concentration of credit risk consist primarily of cash and receivables. The Corporation limits its exposure to credit loss by placing its cash with a major Canadian bank. The Corporation also holds a receivable from Skeena in the amount of \$2,336,221, using a discount rate of 8%, pursuant to the Red Chris Properties sale. The Corporation assesses expected credit risk from Skeena by assessing the maturity and ability to make payments and has not assessed a significant risk of collection.

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**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (continued)

**Financial risk factors** (continued)

**b) *Liquidity risk***

Liquidity risk is the risk that the Corporation cannot meet its financial obligations associated with financial liabilities in full. The Corporation is exposed to liquidity risk and manages it through the management of its capital structure, as outlined below. The majority of the Corporation's current financial liabilities are anticipated to mature within the next fiscal period. The Corporation intends to settle these with funds from its positive working capital position. The Corporation remains exposed to liquidity risk.

**c) *Market risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity prices, equity prices, and foreign currency fluctuations.

**(i) *Interest rate risk***

Interest rate risk on cash is minimal because these investments generally have a fixed yield rate. As at December 31, 2022, the Corporation did not have any interest-bearing debt.

**(ii) *Foreign currency risk***

The Corporation could be exposed to foreign currency risk on fluctuations related to cash, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2022, the Corporation did not have any significant exposure to foreign currencies and so considers foreign currency risk insignificant to the Corporation at present.

**(iii) *Price risk***

The Corporation may at times have limited indirect exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

**9. CAPITAL MANAGEMENT**

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Corporation's strategy remains unchanged from the year ended December 31, 2021.

The Corporation considers the items included in shareholders' equity as capital. The Corporation manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Corporation prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board.



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**9. CAPITAL MANAGEMENT** (continued)

In order to maximize ongoing exploration efforts, the Corporation does not pay dividends. The Corporation's treasury management policy is to invest its cash in highly rated liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Corporation is not subject to externally imposed capital requirements.

**10. RELATED PARTY TRANSACTIONS**

*Key management compensation*

Key management personnel at the Corporation are the Directors and Officers of the Corporation. Key management personnel, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

In addition to key management personnel, the Corporation transacted with the following related parties during the three months ended March 31, 2023 and/or 2022:

- Cazador, a private company controlled by the Corporation's CEO, Adam Travis; and
- Thomas Morgan & Co Ltd. ("TMCL"), a private company controlled by the Corporation's Chair of the Board, Fletcher Morgan.

**a) Related Party Transactions**

The Corporation's related party transactions for the three months ended March 31 were as follows:

		2023	2022
		\$	\$
Consulting fees	1	28,167	19,500
Director fees	2	16,500	16,500
Equipment rentals (exploration)	3	-	1,701
Geological fees	4	10,833	19,500
Salaries	5	22,500	22,500
Share-based payments expense	6	13,168	38,812
		91,168	118,513

- 1 Consulting fees consisted exclusively of CEO fees earned by Mr. Travis through Cazador.
- 2 Director fees for the three months ended March 31, 2023 and 2022 consisted of amounts of \$7,500 earned by Mr. Morgan through TMCL and \$4,500 earned by each of the Corporation's independent Board members, Messrs. Dale Wallster and Dan Berkshire.
- 3 Equipment rentals consisted exclusively of rentals from Cazador.
- 4 Geological fees consisted exclusively of fees earned by the CEO through Cazador, which were included in exploration expenditures.
- 5 Salaries consisted exclusively of amounts earned by the CFO, Tim Thiessen.
- 6 Share-based payments expense is a non-cash item that consisted of the fair value of stock options that have been granted to key management personnel.

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**10. RELATED PARTY TRANSACTIONS** (continued)

**b) Related Party Balances**

Related party balances, which are included in accounts payable and accrued liabilities on the statement of financial position, consisted of the following:

	March 31, 2023	December 31, 2022
	\$	\$
Due to Cazador	13,650	55,705