



# **COASTAL ENERGY COMPANY**

**NOTICE OF ANNUAL GENERAL MEETING**

**TO BE HELD ON AUGUST 18, 2008**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

(all financial information as at December 31, 2007 unless otherwise indicated)  
(all dollar figures are in United States dollars unless otherwise indicated)

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# COASTAL ENERGY COMPANY

Walkers House, 87 Mary Street, PO Box 908GT  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

## NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual General Meeting (the "**Meeting**") of the shareholders of COASTAL ENERGY COMPANY (the "**Company**") will be held on August 18, 2008 at 10:00 a.m. (London time) at the offices of the Company at 1 Farnham Road, Guildford, Surrey GU2 4RG, United Kingdom for the following purposes:

1. to receive the audited financial statements of the Company for the year ended December 31, 2007 together with the report of the Auditors thereon;
2. to elect directors for the ensuing year;
3. to appoint the accounting firm of Deloitte & Touche LLP as auditors for the ensuing year and to authorize the directors to fix the auditors' remuneration;
4. to consider and, if thought fit, pass with or without variation an ordinary resolution of the Company's disinterested shareholders approving the Company's 2008 Incentive Stock Option Plan; and
5. to transact such other business as may properly come before the Meeting or at any adjournment thereof.

Accompanying this Notice of Meeting are a management information circular (the "**Circular**"), and a form of proxy (the "**Proxy**").

Only shareholders of record on June 20, 2008 are entitled to receive notice of and vote at the Meeting.

Shareholders entitled to vote at the Meeting may do so either in person or by proxy. Those shareholders who are unable to attend the Meeting are requested to read, complete, sign, date and return the enclosed Proxy in accordance with the instructions set out in the Proxy and in the Circular. Please advise the Company of any change in your mailing address.

ON BEHALF OF THE BOARD OF DIRECTORS

*"Frank A. Inouye"*

Frank A. Inouye  
Chairman of the Board  
George Town, Grand Cayman, BWI  
June 20, 2008

# COASTAL ENERGY COMPANY

Walkers House, 87 Mary Street, PO Box 908GT  
George Town, Grand Cayman  
Cayman Islands  
British West Indies

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## MANAGEMENT INFORMATION CIRCULAR as at and dated June 20, 2008

### Solicitation of Proxies

**This Management Information Circular (the "Circular") is furnished to the shareholders of Coastal Energy Company (the "Company") in connection with the solicitation of proxies by the management of the Company for use at the Annual General Meeting of the Company's shareholders to be held at 10:00 a.m. (London time) on August 18, 2008 at the offices of the Company at 1 Farnham Road, Guildford, Surrey GU2 4RG, United Kingdom, and at any adjournment thereof (the "Meeting").**

No person is authorized to give any information or to make any representation not contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized. This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or proxy solicitation.

The Directors intend to vote the common shares of the Company (the "Common Shares" or "shares") which they personally hold, directly or indirectly, in favour of the resolutions and, in their capacity as directors of the Company, unanimously recommend the shareholders also vote in favour of such resolutions. As a group, the Directors personally hold, in aggregate, 582,500 Common Shares representing approximately 0.62% of the Company's 93,630,720 currently outstanding Common Shares. In addition, seven of the Directors serve as "Attorneys" under a voting trust agreement covering 38,769,580 Common Shares representing 41.41% of the Company's currently outstanding Common Shares, and these Directors will also vote on behalf of these shares.

### GENERAL PROXY INFORMATION

#### Solicitation of Proxies

The solicitation will be by mail and may be supplemented by telephone and other personal contact to be made without special compensation by directors and officers of the Company. Except as required by statute, regulation or policy thereunder, the Company does not reimburse shareholders, nominees or agents (including brokers holding shares on behalf of clients) for the cost incurred in obtaining from their principals authorization to execute forms of Proxy.

The cost of this solicitation will be borne by the Company.

The contents and the sending of this Circular have been approved by the Board of Directors.

#### Appointment of Proxy Holder

The individuals named in the accompanying form of proxy are Randy L. Bartley, Chief Executive Officer, President and Executive Director of the Company, and William C. Phelps, the Company's Chief Financial Officer.

**A SHAREHOLDER HAS THE RIGHT TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT THE SHAREHOLDER AT THE MEETING BY STRIKING OUT THE NAMES OF THOSE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY AND BY**

**INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY. A PROXY WILL NOT BE VALID UNLESS THE COMPLETED FORM OF PROXY IS RECEIVED BY THE COMPANY'S REGISTRARS AND TRANSFER AGENTS:**

**FOR SHAREHOLDERS WHOSE COMMON STOCK IS REGISTERED ON THE TSX-V EXCHANGE:**

**PACIFIC CORPORATE TRUST COMPANY  
2ND FLOOR, 510 BURRARD STREET  
VANCOUVER, BRITISH COLUMBIA, CANADA V6C 3B9**

**OR FOR SHAREHOLDERS WHOSE COMMON STOCK IS REGISTERED ON THE AIM EXCHANGE:**

**CAPITA REGISTRARS  
THE REGISTRY, 34 BECKENHAM ROAD  
BECKENHAM, KENT, ENGLAND BR3 4TU**

**NOT LATER THAN 48 HOURS, EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS, PRECEDING THE TIME OF THE MEETING, OR ANY ADJOURNMENT THEREOF, OR DELIVERED TO THE CHAIRMAN OF THE MEETING PRIOR TO THE COMMENCEMENT OF THE MEETING. PROXIES DELIVERED AFTER THAT TIME WILL NOT BE ACCEPTED.**

**Revocation of Proxies**

A shareholder who has given a Proxy may revoke it by delivering an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, to the Company's registrars and transfer agents, at the addresses listed above, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, or in any other manner provided by law. A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

**Advice to Beneficial Shareholders**

Only registered shareholders or duly appointed proxy holders are permitted to vote at the Meeting and any adjournment thereof. Shareholders who do not hold Common Shares of the Company in their own name (referred to herein as "**Beneficial Shareholders**") are advised that only proxies from shareholders of record can be recognized and voted at the Meeting. Beneficial Shareholders who complete and return an instrument of proxy must indicate thereon the person (usually a brokerage house) who holds their shares as a registered shareholder. Every intermediary (broker) has its own mailing procedure, and provides its own return instructions, which should be carefully followed. The instrument of proxy supplied to Beneficial Shareholders is identical to that provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in such shareholder's name on the records of the Company. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. Shares held by brokers or their nominees can only be voted (for or against resolutions or withheld from voting, as the case may be) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting shares for their clients. The directors and officers of the Company do not know for whose benefit shares registered in the names of persons other than their registered holders are held.

**Voting of Proxies**

**SECURITIES REPRESENTED BY PROPERLY EXECUTED PROXIES IN THE ACCOMPANYING FORM WILL BE VOTED OR WITHHELD FROM VOTING IN ACCORDANCE WITH THE INSTRUCTIONS OF THE SHAREHOLDER ON ANY BALLOT THAT MAY BE CALLED FOR AND, IF THE SHAREHOLDER SPECIFIES A CHOICE WITH RESPECT TO ANY MATTER TO BE ACTED UPON AT THE MEETING, THE COMMON SHARES REPRESENTED BY SUCH PROXY WILL BE VOTED ACCORDINGLY. IF NO CHOICE IS SPECIFIED OR IF BOTH CHOICES ARE SPECIFIED, THE PERSON DESIGNATED IN THE ACCOMPANYING FORM OF PROXY WILL VOTE IN FAVOUR OF ALL MATTERS PROPOSED BY MANAGEMENT AT THE MEETING.**

The enclosed form of Proxy when properly completed and delivered and not revoked confers discretionary authority upon the person appointed proxy thereunder to vote with respect to amendments or variations of

matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the person designated in the enclosed form of Proxy to vote in accordance with their best judgment on such matters of business. At the date of this Circular, management of the Company knows of no such amendment, variation or other matter which may be presented to the Meeting.

### Interest of Certain Persons in Matters to be Acted Upon

Except as disclosed herein, no Person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting. For the purpose of this paragraph, "Person" shall include each person: (a) who has been a director, senior officer or insider of the Company at any time since the commencement of the Company's last fiscal year; (b) who is a proposed nominee for election as a director of the Company; or (c) who is an associate or affiliate of a person included in subparagraphs (a) or (b).

## VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

### Voting Securities and Rights

The Company has one class of securities, being Common Shares. Each share carries the right to one vote. The Company's authorized and issued and outstanding share capital as of the date of this Circular are as follows:

Authorized Capital:	250,000,000 Common Shares (1)
Issued and Outstanding as at the Record Date:	93,630,720 Common Shares

In accordance with the Articles of the Company, on a show of hands, every individual who is present and entitled to vote as a shareholder or as a representative of one or more corporate shareholders, or who is holding a Proxy on behalf of a shareholder who is not present at the Meeting, will have one vote and on a poll every shareholder present in person or represented by Proxy, and every person who is a representative of one or more corporate shareholders, will have one vote for each share registered in his name on the list of shareholders, which is available for inspection during normal business hours at Pacific Corporate Trust Company, 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9 and will be available at the Meeting.

### Record Date

Only shareholders of record on **June 20, 2008 (the "Record Date")** who either personally attend the Meeting or who have completed and delivered a form of Proxy in the manner and subject to the provisions described above will be entitled to vote or to have their shares voted at the Meeting.

### Principal Holders of Voting Securities

To the knowledge of the directors and officers of the Company, the following table lists the persons who beneficially own, directly or indirectly, or exercise control or direction over securities carrying in excess of 10% of the voting rights attached to the shares as of the Record Date:

NAME	NUMBER OF SHARES HELD DIRECTLY OR INDIRECTLY	PERCENTAGE OF ISSUED SHARES(1)(2)
Oscar S. Wyatt, Jr. (3)(4)	38,769,580	41.41%

- (1) Following shareholder approval of a reverse stock split, the authorized share capital of the Company was reduced on November 7, 2007 by consolidating every four Common Shares into one Common Share.
- (2) Based on 93,630,720 shares issued and outstanding as at the Record Date.
- (3) These shares are subject to a Voting Agreement in which the seven independent Directors hold their proxy.
- (4) Included in this amount are five million shares (5.34%) of the Company's Common Stock owned by a limited partnership in which Mr. Wyatt is the general partner. These shares are also subject to the Voting Agreement per Note (3)

## CORPORATE GOVERNANCE DISCLOSURE

Governance Principles. Effective 30 June 2005, National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") was adopted in each of the provinces and territories of Canada. NI 58-201 requires issuers to disclose the corporate governance practices that they have adopted.

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices which are both in the interest of its shareholders and contribute to effective and efficient decision making. NI 58-101 establishes corporate governance guidelines applicable to all public companies. NI 58-101 mandates disclosure of corporate governance practices for "Venture Issuers" in Form 58-101F2 which disclosure is set out below.

The Board of Directors' governance principles including, but not limited to, the Terms of Reference of the Board's committees, are reviewed regularly and modified as warranted. These materials are available on the Company's website at [www.coastalenergy.com](http://www.coastalenergy.com) and in print to any shareholder upon request.

Director Independence. In accordance with NI 58-101, the Board has determined that 7 out of 9 directors are independent directors (See section entitled "**Election of Directors**"). For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company.

All members of the Audit, Compensation, and Corporate Governance and Nominating Committees must be independent directors as defined by the Board's Governance Principals.

Code of Ethics. All directors, officers and employees of the Company must act ethically at all times and in accordance with the Company's Code of Ethics. This Code of Ethics is filed on SEDAR and can be found at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.coastalenergy.com](http://www.coastalenergy.com). It is also available in print to any shareholder upon request. Under the Board's Governance Principals, the Board will not permit any waiver of any ethics policy for any director or executive officer. If any actual or potential conflict of interest arises for a director, the director will promptly inform the Corporate Governance and Nominating Committee. If a significant conflict exists and cannot be resolved, the director should resign. All directors are required to recuse themselves from any discussion or decision affecting their personal business or professional interests.

Communicating Concerns to Directors. The Board has established procedures to enable employees or workers who have a concern about some fraud or other illegal or unethical conduct in the workplace to communicate that concern directly to the Company's designated whistle blowing officer ("DWO") who currently is Stephen M. Holder, the Company's Vice President and Controller or, in his absence, the Company's CEO or the Chairman of its Audit Committee. Such communication may be confidential or anonymous and may be e-mailed, submitted in writing or reported by phone. All such communications are promptly reviewed by the DWO and are subject to review by the CFO and the Executive Committee. The Company's Whistle Blowing Procedure prohibits any employee from retaliating or taking adverse action against a whistle blower for raising or helping to resolve an issue raised through this process.

### **Board of Directors and Committees**

Our Board of Directors currently consists of 9 directors. Frank A. Inouye is the Board's Chairman<sup>1</sup>, and one of two Executive Directors<sup>2</sup>, whose responsibilities include those matters discussed in the Board's Governance Principles. The Board is responsible for approving long-term strategic plans and annual operating budgets and plans recommended by management. Board consideration and approval is also required for all material contracts and business transactions and all debt and equity financing proposals. The Board is also responsible for the review of senior executive recruitment and executive compensation, subject to the recommendations of the Corporate Governance and Nominating Committee and the Compensation Committee, respectively.

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<sup>1</sup>Replaced Albert Whitehead as Chairman who retired from the Board on February 5, 2008.

<sup>2</sup>On February 5, 2008, Randy L. Bartley was elected to the Board and replaced Frank A. Inouye as CEO and President who resigned as CEO and President on that day.

The Board has adopted written Terms of Reference for all of its four standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Executive Committee. The Board has determined that all members of the Audit, Compensation and Corporate Governance and Nominating Committees are independent.

Audit Committee. The members of the Audit Committee are directors Messrs. Zaozirny, currently the chair, Black and Wylie. The Board has determined that Messrs. Zaozirny, Black and Wylie are financially literate as defined under Multilateral Instrument 52-101 – *Audit Committees*. The Audit Committee's Terms of Reference are included under the heading "Audit Committee Information" in the Company's Annual Information Form ("AIF") dated April 28, 2008, which contains information for the year ended December 31, 2007. The AIF may be obtained from SEDAR under the Company's name at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.coastalenergy.com](http://www.coastalenergy.com). In keeping with the overall responsibility for the stewardship of the Company, the Board, through the Audit Committee, examines the Company's internal controls and management information systems.

Compensation Committee. The members of the Compensation Committee are directors Messrs. Black, currently the chair, Smith and Murphy. The Compensation Committee has two primary responsibilities: (1) to determine, review and approve the compensation for the CEO and other senior executives; and (2) to ensure that senior compensation policies and packages attract, retain and motivate quality employees whilst not exceeding market rates. The Compensation Committee also oversees the Company's stock option plan. No director is permitted to participate in discussions or decisions concerning his own remuneration. Additional information on the Compensation Committee's process and procedures for consideration of executive compensation are addressed in the Compensation Discussion and Analysis below.

Corporate Governance and Nominating Committee. The members of the Corporate Governance and Nominating Committee are directors Messrs. Murphy, currently the chair, de Combret, and Wylie. The Corporate Governance and Nominating Committee is responsible for identifying individuals qualified to become members of the Board and recommending to the Board the director nominees in advance of each annual meeting of shareholders. In identifying candidates, the Corporate Governance and Nominating Committee follows the procedure outlined in the Corporate Governance and Nominating Committee's Terms of Reference. The Corporate Governance and Nominating Committee is also responsible for developing and recommending corporate governance guidelines to be followed by the Company, and for overseeing the evaluation of the Board and management.

Executive Committee. The members of the Executive Committee are directors Messrs. de Combret, currently the chair, Bartley, Black, Inouye and Wylie. The purpose of the Executive Committee is to act in the place of the full Board on matters of the Company which require more immediate attention. Agreement of three of the five members of the Executive Committee present at a meeting of the Executive Committee is required for an action to pass. The Executive Committee must notify the Board prior to all meetings of the Executive Committee of the actions to be taken and thereafter report to the Board at the next full Board meeting the actions taken by the Executive Committee at any meeting.

### **Orientation and Continuing Education**

Each new director will receive an outline of the nature of the Company's business, its corporate strategy and current issues affecting the Company. New directors will also be required to meet with management of the Company to discuss and better understand the Company's business and will be advised by legal counsel to the Company of their legal obligations as directors of the Company. Legal counsel to the Company is responsible for delivering an annual presentation to the Board on the subject of corporate governance and other topics as a part of the Company's continuing professional development of its directors. The introduction and education process will be reviewed on an annual basis and will be revised accordingly.

### **Assessments**

Except as described above, the Board does not take any steps to satisfy itself that the Board, its committees and its individual directors are performing effectively. The Board believes that this is appropriate given the size of the Board and the Company's current stage of development.



## COMPENSATION DISCUSSION AND ANALYSIS

The Company was incorporated on May 26, 2004, and has completed four financial years for which financial statements are available. The Company became a reporting issuer in each British Columbia and Alberta, Canada on 16 September 2005 and in Ontario, Canada on September 11, 2006 and is listed on the TSX-V exchange. The Company was listed on the London AIM exchange on January 25, 2005.

### Compensation Objectives

Performance. Base salary and bonuses are designed to reward annual achievements and be commensurate with the scope of responsibilities, demonstrated leadership abilities and management experience and effectiveness. Our other elements of compensation focus on motivating and challenging the executive to achieve superior longer-term sustained results.

Alignment. We seek to align the interest of executives with those of our investors by evaluating executive performance on the basis of key financial measurements which we believe closely correlate to long-term shareholder value, including revenue, organic revenue, operating profit, earnings per share, operating margins, return on total equity or total capital, cash flow from operating activities and total shareholder return. The key element of compensation that aligns the interest of the executives with shareholders is our stock option plan.

Retention. We operate in a highly competitive and open industry where our executives are often presented with other professional opportunities. We attempt to retain our executives by (1) staying current on the compensation levels within the industry and (2) using continued service as a determinate of total pay opportunity. The key element of compensation that requires continued service to receive any, or maximum, payout is the extended vesting terms of our incentive stock options.

### Elements used to Achieve Compensation Objectives

Base Salary. Base salaries depend on the scope of the employee's responsibilities, their performance, and the period over which they have performed their responsibilities. Decisions regarding salary increases take into account the employee's current salary and the amounts paid to the employee's peers within and outside the Company. Base salaries are reviewed annually, but are not automatically increased if the Compensation Committee believes that other elements of compensation are more appropriate in light of our stated objectives. This strategy is consistent with the Company's primary intent of offering compensation that is contingent on the achievement of performance objectives.

Bonus. Annually, the Compensation Committee, with input from the CEO, uses its discretion in determining the amount and allocation of bonuses the Company will pay, based on its evaluation of the overall performance of the Company and the performance of the employees against expectations, which are established at the beginning of the year. This strategy rewards high performing employees, drives results and provides incentives to sustain this performance over the longer-term.

Stock Options. Previously, the Company adopted a "rolling" stock option plan. For 2008, the Company plans to adopt a "non-rolling" stock option plan which is defined in "**PARTICULARS OF MATTERS TO BE ACTED UPON**" below. The Company's stock option plan is designed to align the interests of its directors and employees with those of its shareholders' and retain its directors and employees through the term of the awards. The grant size is considered when making award decisions. The amount of equity incentive compensation granted in 2007 was based on strategic, operational and financial performance of the Company overall and reflects the recipient's expected contributions to the Company's future success. Existing ownership levels are not a factor in award determination, as we do not want to discourage directors and employees from holding significant amounts of the Company's stock.

Under Canadian generally accepted accounting principles ("GAAP"), we are expensing stock option grants using the fair value method of accounting. Under the fair value method, employee compensation expense attributed to direct awards of stock is measured at the fair value of the award at the grant date using the Black-Scholes option-pricing model and is recognized over the vesting period of the award. If and when the

stock options are ultimately exercised, the applicable amounts of contributed surplus are credited to share capital.

Pension Plans. The Company does not have any pension arrangements in place.

Long-Term Incentive Plans. The Company had no long-term incentive plans in place and therefore there were no awards made under any long-term incentive plan during the Company's fiscal year ended December 31, 2007. A "Long-Term Incentive Plan" is a plan under which awards are made based on performance over a period longer than one fiscal year, other than a plan for options, SARs (stock appreciation rights) or restricted share compensation.

Stock Appreciation Rights ("SARs") or Restricted Share Compensation Plans. During the fiscal year ended December 31, 2007, the Company did not have any SARs or restricted share compensation plans in place.

Indebtedness of Directors, Executive and Senior Officers. During the fiscal year ended December 31, 2007, no director, executive officer, senior officer, promoter or nominee for director of the Company or any of their associates has been indebted to the Company or any of its subsidiaries, nor have any of these individuals been indebted to another entity which indebtedness is the subject of a guarantee, supporting agreement, letter of credit or other similar arrangement or understanding provided by the Company.

### Compensation for Named Executives in 2007

The Company began its fiscal year ended December 31, 2007 with five officers and had five officers at year end. The following table sets forth all annual and long term compensation for services provided by the Named Executive Officers to the Company for the financial year ended December 31, 2007.

#### Summary Compensation Table

Name And Principal Position	Year	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		All Other Compensation (\$)
		Salary (\$)	Bonus \$(2)	Other (\$)	Securities Under Option (#)(1)	Other Compensation (\$)	
<b>Frank A. Inouye</b> <sup>(3)</sup> Chief Executive Officer	2007	\$396,004	\$82,080	Nil	Nil	Nil	Nil
<b>Randy L. Bartley</b> <sup>(3)</sup> Chief Executive Officer	2007	Nil	Nil	Nil	Nil	Nil	Nil
<b>William C. Phelps</b> Chief Financial Officer	2007	\$248,300	\$53,849	Nil	Nil	Nil	Nil
<b>Stephen M. Holder</b> Vice President, Controller	2007	\$150,000	\$27,000	Nil	Nil	Nil	Nil
<b>Kimberley R. Landon</b> General Counsel and Corporate Secretary	2007	\$123,864	\$22,500	Nil	125,000	Nil	Nil
<b>M. Truman Arnold</b> <sup>(4)</sup> Vice President, Ass't. Secretary	2007	Nil	Nil	Nil	Nil	Nil	Nil

#### Notes

- (1) A total of 125,000 incentive stock options were issued to the named executive officer on 15 June 2007. These options have an exercise price of Cdn \$2.96; expire on 15 June 2017; and vest 25% immediately upon grant and 25% per year for the next three years on the anniversary date of the grant. These figures are reported on a post-share consolidation basis. See Note 1, page 6
- (2) These bonuses were accrued at December 31, 2007; however, the actual payment of these bonuses did not occur until 2008.
- (3) Effective February 5, 2008 Mr. Inouye was named Chairman of the Board and Mr. Bartley was employed as the Company's CEO and President and elected an Executive Director of the Company.
- (4) Mr. Arnold receives no compensation from the Company and therefore, his position with the Company is not considered his principal occupation.

## Aggregated Options Exercised during the Most Recently Completed Fiscal Year and Fiscal Year End Option Values

The following tables set out the stock options exercised during the fiscal year ended 31 December 2007 and the stock options held by the Named Executive Officers and Directors, respectively as at 31 December, 2007. In-the-Money Options are those where the market value of the underlying securities exceeds the option exercise price.

Executive	Option Grant Date (2)	Option Exercise Price (1)	Option Expiration Date	Number of Securities Acquired on Exercise	Aggregate Value Realized	Number (1) of Unexercised Options Exercisable	Number (1) of Unexercised Options Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End Exercisable/Unexercisable
Inouye	1/25/05	£0.40	1/25/09	Nil	Nil	187,500	Nil	£315,000 / Nil
	7/06/05	£1.40	7/06/10	Nil	Nil	62,500	Nil	£42,500 / Nil
	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	187,500	187,500	Cdn \$ 403,125 / Cdn \$403,125
Phelps	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	125,000	125,000	Cdn \$ 268,750 / Cdn \$ 268,750
Holder	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	62,500	62,500	Cdn \$ 134,375 / Cdn \$ 134,375
Arnold	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	37,500	37,500	Cdn \$ 80,625 / Cdn \$ 80,625
Landon	6/15/07	Cdn \$2.96	6/16/12	Nil	Nil	31,250	93,750	Cdn \$ 43,438 / Cdn \$ 130,313
<b>Independent Directors</b>								
Black	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	125,000	125,000	Cdn \$ 268,750 / Cdn \$ 268,750
de Combret	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	125,000	125,000	Cdn \$ 268,750 / Cdn \$ 268,750
de Montal	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	125,000	125,000	Cdn \$ 268,750 / Cdn \$ 268,750
Murphy	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	125,000	125,000	Cdn \$ 268,750 / Cdn \$ 268,750
Smith	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	125,000	125,000	Cdn \$ 268,750 / Cdn \$ 268,750
Whitehead (3)	1/25/05	£0.40	1/25/09	Nil	Nil	25,000	Nil	£42,000 / Nil
	7/06/05	£1.40	7/06/10	Nil	Nil	37,500	Nil	£25,500 / Nil
	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	125,000	125,000	Cdn \$ 268,750 / Cdn \$268,750
Zaozirny	7/06/05	£1.40	7/06/10	Nil	Nil	50,000	Nil	£34,000 / Nil
	12/27/06	Cdn \$2.20	12/27/11	Nil	Nil	125,000	125,000	Cdn \$ 268,750 / Cdn \$ 268,750

### Notes

- (1) The Option Exercise Price and the number of Options Exercisable / Unexercisable are reported on a post-share consolidation basis. See Note 1 on page 6
- (2) The following vesting schedules apply to the options granted:
  - Options granted in 2005 vest 100% immediately upon grant.
  - Options granted in 2006 and 2007 vest 25% immediately upon grant and 25% each year on the anniversary of the grant date for the following three (3) years.
- (3) Mr. Whitehead retired from the Board effective February 5, 2008. Subsequent to his retirement, Mr. Whitehead exercised all his options which were exercisable.

## Termination of Employment, Change in Responsibilities or Control, and Employment Contracts

During the Company's fiscal year ended December 31, 2007, the Company had no employment contracts with any of the Named Executive Officers other than the following agreements. There are no compensatory

plans or arrangements with respect to any of the Named Executive Officers relating to their resignation, retirement or other termination of employment or from a change of control of the Company other than the following arrangements.

Mr. Inouye. Mr. Inouye entered into two (2) one year employment agreements (one in the UK, his country of residence, and the other in the Cayman Islands) in respect of his employment by the Company as its Chief Executive Officer and President. Pursuant to these Agreements, Mr. Inouye was entitled to a base salary of £152,000 and £38,000, respectively per year plus standard benefits and vacation. These Agreements contain standard non-competition and confidentiality provisions, and provide that on termination without cause, Mr. Inouye is entitled to receive his full salary for a period of 12 months from the notice of termination. These Agreements further provide that all of Mr. Inouye's Options will immediately become vested and expire 90 days after termination of employment. The term of Mr. Inouye's UK Agreement is extended automatically each year. The Cayman Islands Agreement expired on May 1, 2007. Mr. Inouye's compensation continues to be based on the provisions of the Agreements. The Compensation Committee authorized an 8% increase in Mr. Inouye's base salary to £205,200 per year effective July 1, 2007.

Mr. Phelps. Mr. Phelps entered into a one year employment agreement dated 1 July 2006 in respect of his employment by the Company as its Chief Financial Officer. Pursuant to this Agreement, Mr. Phelps was entitled to a base salary of £120,000 per year plus standard benefits and vacation. This Agreement contains standard non-competition and confidentiality provisions, and provides that on termination without cause, Mr. Phelps is entitled to receive his full salary for a period of 12 months from the notice of termination. This Agreement further provides that all of Mr. Phelps' Options will immediately become vested and expire 90 days after termination of employment. The term of Mr. Phelps' employment agreement expired on June 30, 2007. Mr. Phelps' compensation continues to be based on the provisions of this Agreement. The Compensation Committee authorized an 8% increase in Mr. Phelps' base salary to £129,600 per year effective July 1, 2007.

Mr. Holder. Mr. Holder entered into a one year employment agreement dated 3 November 2006 in respect of his employment by the Company as its Controller. Pursuant to this Agreement, Mr. Holder is entitled to a base salary of \$150,000 per year plus standard benefits and vacation. This Agreement contains standard non-competition and confidentiality provisions, and provides that on termination without cause, Mr. Holder is entitled to receive his full salary for a period of 12 months from the notice of termination. The Agreement provides that its term will continue until terminated.

Ms. Landon. Ms. Landon entered into a one year employment agreement dated 5 March 2007 in respect of her employment by the Company as its In-house Counsel and Corporate Secretary. Pursuant to this Agreement, Ms. Landon is entitled to a base salary of \$150,000 per year plus standard benefits and vacation. This Agreement contains standard non-competition and confidentiality provisions, and provides that on termination without cause, Ms. Landon is entitled to receive her full salary for a period of 12 months from the notice of termination. The Agreement provides that its term will continue until terminated.

### **Management Contracts**

The Company is not party to any management contracts. No management functions of the Company are to any substantial degree performed by a person or company other than the directors or senior officers of the Company.

### **Compensation of Non-Executive Directors**

From January 1, 2007 through December 31, 2007, each non-executive director of the Company received \$25,000 per year for acting in such capacity. Each non-executive director serving as a committee chair received an additional \$5,000 per year for acting in such capacity. In addition, each non-executive director received \$1,500 for every convened Board or committee meeting he attended and \$500 for every telephonic Board or committee meeting he attended. All director fees were paid quarterly.

The directors of the Company may also be granted stock options for the Company's shares from time to time by the Company.

The following table sets forth all annual and long term compensation for services provided by the directors of the Company for the financial year ended December 31, 2007.

Name And Principal Position	Year Elected	ANNUAL COMPENSATION		LONG-TERM COMPENSATION		
		Annual Retainer (\$)	Meeting Fees (\$)	Securities Under Option (#)	Other Long-Term Compensation (\$)	All Other Compensation (\$)
Frank A. Inouye (1)	2004	Nil	Nil	Nil	Nil	Nil
Albert E. Whitehead (2)	2006	30,000	7,500	Nil	Nil	Nil
C Robert Black	2006	25,000	5,000	Nil	Nil	Nil
Bernard de Combret	2006	30,000	10,000	Nil	Nil	Nil
Oliver de Montal	2006	25,000	6,500	Nil	Nil	Nil
John J. Murphy	2006	30,000	6,500	Nil	Nil	Nil
Lloyd Barnaby Smith	2006	26,250	7,500	Nil	Nil	Nil
Forrest E. Wylie	2006	25,000	7,500	Nil	Nil	Nil
John B. Zaozirny	2005	30,000	7,500	Nil	Nil	Nil

Notes:

- (1) Mr. Inouye's total compensation for the fiscal year ended December 31, 2007 was based on his position as Chief Executive Officer of the Company. He receives no compensation for serving on the Board of the Company or any of its committees.
- (2) On February 5, 2008, Mr. Whitehead retired from the Board and his position as Chairman.

## Information on Stock Ownership

The following table sets forth the shareholdings of the Company's directors and executives as of May 31, 2008.

Name	Stock Held (1)	Voting Power (2)	Total
M. Truman Arnold	2,500	Nil	2,500
C. Robert Black	Nil	5,538,512	5,538,512
Benard de Combret	Nil	5,538,512	5,538,512
Oliver de Montal	32,500	5,538,511	5,571,011
Frank A. Inouye	400,000	Nil	400,000
John J. Murphy	75,000	5,538,511	5,613,511
William C Phelps	Nil - Note (3)	Nil	Nil
Lloyd Barnaby Smith	Nil	5,538,511	5,538,511
Albert E Whitehead (4)	Nil	Nil	Nil
Forrest E Wylie	Nil - Note (3)	5,538,512	5,538,512
John B. Zaozirny	75,000	5,538,511	5,613,511
<b>Totals</b>	<b>585,000</b>	<b>38,769,580</b>	<b>39,354,580</b>

### Notes

- (1) This column lists stock held either directly or indirectly. No director or executive officer owns more than 0.43% of the total outstanding shares, nor do all directors and executive officers as a group own more than 0.62% of the total outstanding shares of 93,630,720.
- (2) This column represents the shares owned, either directly or indirectly, by Oscar S. Wyatt, Jr. which under an agreement with the Toronto Stock Exchange are subject to a voting agreement. This voting agreement is more fully explained in the Company's AIF dated 28 April 2008 and filed with SEDAR. These shares represent 41.41% of the total shares outstanding.
- (3) Mr. Phelps and Mr. Wylie are each 25% limited partners in a limited partnership which holds five million shares of the Company. These five million shares are subject to the voting agreement discussed in Note (2) above; therefore, they will not be included in the total for Stock Held. Outside of their respective indirect ownership via the limited partnership, neither Mr. Phelps nor Mr. Wylie directly or indirectly owns any of the Company's Common Stock.
- (4) On February 5, 2008, Mr. Whitehead retired from the Board and his position as Chairman. On that date, Mr. Whitehead held, directly and indirectly, 1,255,000 shares of the Company's Common Stock.

## Interests of Informed Persons in Material Transactions

Except as disclosed in this Circular, since the commencement of the last completed fiscal year, no insider of the Company, nominee for director, or any associate or affiliate of an insider or nominee, had any material interest, direct or indirect, in any transaction or any proposed transaction which has materially affected or would materially affect the Company.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### Financial Statements

The Company's comparative financial statements and the associated management's discussion and analysis for the financial year ended 31 December 2007, will be mailed to shareholders together with this Circular. Additional copies will be available at the Meeting. If any shareholder wishes additional copies of these materials prior to the Meeting, contact the Company directly.

### Election of Directors

The directors of the Company are elected at general meetings of the Company's shareholders, subject to the right of the Board of Directors of the Company at any time and from time to time to appoint a person as director, either as a result of a casual vacancy or as an additional director, subject to the maximum number (if any) imposed by the Company by ordinary resolution of its shareholders.

At the Meeting, 9 directors are to be elected to hold office until such time as they cease to be a director in accordance with the Articles of the Company. The 9 nominees for election at the Meeting are listed with brief biographies beginning in the immediately following paragraph. They are all now Company directors. Their individual stock ownership is set forth in the table, Information on Stock Ownership, found on the preceding page. The Board of Directors of the Company has determined that the following 7 directors satisfy the TSX-V and AIM Exchanges' definition of independent director: C Robert Black, Bernard de Combret, Oliver de Montal, John J. Murphy, Lloyd Barnaby Smith, Forrest E. Wylie and John B. Zaozirny. We do not know of any reason why any nominee would be unable to serve as a director. If any nominee is unable to serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board may nominate.

**Randy L. Bartley, 54, Houston, TX, USA - Executive Director since 2008 (6)** Mr. Bartley was founding partner and COO of Erskine Energy, LLC, a private equity sponsored company, where he served four years until his appointment as an Executive Director and the President and CEO of the Company. Mr. Bartley has 33 years of diversified experience in the oil & gas industry, working for companies including El Paso Corporation, Coastal Corporation and Texaco, Inc. The last 10 years have been in senior management positions as President, COO, and Senior Vice President. This experience includes the exploration and development of numerous major oil and gas assets both onshore and offshore, U.S. domestic and international. Mr. Bartley graduated from Rose Hulman Institute of Technology in 1975 with a degree in mechanical engineering. He is professionally affiliated with the Society for Petroleum Engineers and the National Ocean Industries Association.

**C. Robert Black, 73, Horseshoe Bay, TX, USA - Non-Executive Director since 2006 (1)(6)** Mr. Black spent 41 years with Texaco, Inc. until his retirement in May 1999. At Texaco, he held various roles, including President of the Worldwide Exploration and Production division and Senior Vice President in the office of the Chairman of Texaco. Mr. Black was also a member of Texaco's Executive Council, which has the responsibility for setting corporate strategies and priorities, and also served as Texaco's Corporate Compliance Officer. Mr. Black holds a Bachelor of Science (Petrochemical Engineering) degree from Texas Tech University, and serves as Chairman of the Board of Regents of Texas Tech University.

**Bernard de Combret, 65, Geneva, Switzerland - Non-Executive Director since 2006 (3)(8)** Mr. de Combret is an international consultant and former Deputy Chairman of the Executive Board of Total. Following senior positions in both the Ministry of Foreign Affairs and the Ministry of Finance, he spent 24 years with Elf and Total Groups until 2002. During his industry career, Mr. de Combret has held various executive responsibilities including CEO for Trading and CEO for Refining and Marketing. In 2000, he became Deputy Chairman of Total Executive Committee and President & Chief Executive for trading, transportation and for gas and power. He now serves as an independent Non-Executive Director on the Boards of several international companies. He is a graduate of both the Ecole Polytechnique (Paris) and the Ecole Nationale d'Administration (Paris).

**Olivier de Montal, 69, Paris, France - Non-Executive Director since 2006** Mr. de Montal is Administrator of Olympia Capital Holding, ODM Finance, Loze & Associés and Compagnie des Produits de Gascogne, Advisor to the LVMH Group, and Chief Executive Officer of ODM Développement. He has served on the boards of numerous public companies, including companies in the oil and gas industry. Mr. de Montal holds

a degree from Ecole Superieure de Commerce de Paris, and is a Chevalier de l'Ordre national de la Légion d'honneur (France).

**Frank A. Inouye, 50, Dorking, Surrey, England – Chairman of the Board of Directors, Executive Director since 2004 (4)** Mr. Inouye is an executive director of the Company who was employed by the Company as its Chief Executive Officer and President during the fiscal year ended December 31, 2007 and until February 5, 2008 when he was appointed by the Board as its Chairman upon the retirement of Mr. Whitehead. As such, he is responsible for the management of the Company, reporting to the Company's Board. Mr. Inouye devotes the majority of his time to the Company. Prior to May 1, 2005, Mr. Inouye's principal occupation was serving as managing director of Deltaic Systems Limited ("Deltaic"), a UK based energy group that specializes in resource asset management. Mr. Inouye has served as managing director of Deltaic since August 1999. Mr. Inouye was formerly head of corporate development for Premier Oil plc and responsible for developing Premier's Far East asset portfolio including the 2.5 tcf Yetagun gas field in Myanmar. Mr. Inouye holds a Bachelor of Science (Honours) degree in Geology and Geophysics from the University of British Columbia and a Master of Business Administration degree from the University of Adelaide, and is a member of the American Association of Petroleum Geologists.

**John J. Murphy, 76, Dallas, TX, USA - Non-Executive Director since 2006 (2)(3)(4)(7)** Mr. Murphy is currently retired. From 1997 to 2000, Mr. Murphy served as a Managing Director of SMG Management LLC, a privately owned investment group. Mr. Murphy served as a director of ShawCor Ltd. between June 1997 and April 2006 and as a director of CARBO Ceramics Inc. between April 1996 and April 2007. Mr. Murphy began his career in 1952 as an engineer with Dresser Industries, Inc., a provider of products and services to the energy industry, and he became its Chairman and Chief Executive Officer in August 1983. He remained Chief Executive Officer until 1995 and Chairman of the Board until his retirement in November 1996. During his tenure with Dresser, Mr. Murphy successfully guided the company through years of both industry decline and rebirth. He negotiated a number of successful strategic acquisitions and joint-ventures, including Wheatley TXT Baroid Corporation, M-1 Drilling Fluids Co., Western Atlas International, Inc. and M.W. Kellogg Company, one of the major refinery construction companies in the world. At his retirement, Dresser had become one of the largest oilfield services company in the world, employing over 31,000 persons in fifty countries. Mr. Murphy holds a Master of Business Administration degree from Southern Methodist University.

**Lloyd Barnaby Smith, CMG, 62, Richmond, England - Non-Executive Director since 2006 (2)** Mr. Smith began his career at the Foreign and Commonwealth Office (the "FCO") in 1968 and held a number of senior positions within the FCO including Head of South Asia Department and British Ambassador to Nepal. Mr. Smith is very familiar with Thailand having spent a total of 10 years in the country during three separate postings and is the former United Kingdom ambassador to Thailand, a position he held from February 2000 to July 2003. Mr. Smith holds a Bachelors of Arts degree from the University of Oxford, and is a fluent Thai speaker.

**Forrest E. Wylie, 45, Houston, TX, USA - Non-Executive Director since 2006 (1)(3)(4)** Mr. Wylie serves as the Chairman, CEO and President of Buckeye GP Holding LP, a NYSE-listed company. From March 2005 until assuming his current, he has served as Vice Chairman of Pacific Energy Partners LP's Board of Directors. Mr. Wylie was President and Chief Financial Officer of NuCoastal between May 2002 and March 2005. Prior to joining NuCoastal, Mr. Wylie served as Senior Vice President, Natural Gas Trading, for both the Coastal Corporation and its successor, El Paso Merchant Energy, L.P. Mr. Wylie also held senior positions at Engage Energy, LLC, Transocean, Inc. and American Exploration Company. Mr. Wylie holds a Bachelor of Business Administration from the University of Houston and a Master of Business Administration degree from the University of Texas at Austin.

**John B. Zaozirny, 61, Calgary, Alberta, Canada - Non-Executive Director since 2005 (5)** Mr. Zaozirny is counsel to the law firm of McCarthy Tetrault LLP and Vice-Chairman of Canaccord Capital Corporation. Previously, Mr. Zaozirny was Alberta's Minister of Energy and Natural Resources from 1982 to 1986. Mr. Zaozirny holds numerous positions as a director and advisor to several corporations and income trusts, some of which include: Bankers Petroleum Ltd., Canadian Oils Sands Trust, Fording Canadian Coal Trust, Pengrowth Energy Trust and Provident Energy Ltd.

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#### Notes

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Corporate Governance and Nominating Committee
- (4) Member of the Executive Committee
- (5) Chairman of the Audit Committee



- (6) Chairman of the Compensation Committee  
 (7) Chairman of the Corporate Governance and Nominating Committee  
 (8) Chairman of the Executive Committee

In addition to their directorships in the Company, the Directors currently hold the following directorships and are a partner in the following companies and or partnerships:

Name	Company or Partnership	Listed Exchange
Randy L. Bartley	Nil	Nil
C. Robert Black	Nil	Nil
Bernard de Combret	Petrofac Limited Winstar Resources Ltd. Totsa Total Oil Trading SA Vernes Gestion SA	LSE TSX n/a n/a
Olivier de Montal	Nil	Nil
Frank A. Inouye	Deltaic Systems Ltd. Highacre Management Company Ltd.	n/a n/a
John J. Murphy	W.R. Grace & Co.	NYSE
Lloyd Barnaby Smith	Nil	Nil
Albert E. Whitehead(1)	Empire Petroleum Corporation	NASDAQ
Forrest E. Wylie	BGH Group Holdings, L.P. Buckeye Partners, LP Eagle Bulk Shipping Inc. Crossmar Inc.	NYSE NYSE NASDAQ n/a
John A. Zaozirny	Bankers Petroleum Ltd. Bayou Bend Petroleum Ltd. Canaccord Capital Inc. Canadian Oil Sands Trust Candax Energy Inc Computer Modelling Group Ltd. Fording Canadian Coal Trust Pacific Rubiales Energy Corp. Pengrowth Corporation Provident Energy Ltd. Terravest Income Fund	TSX TSX TSX TSX TSX TSX TSX TSX TSX TSX TSX

(1) On February 5, 2008, Mr. Whitehead retired from the Board and his position as Chairman.

**Our Board of Directors recommends a vote FOR the following proposal:**

*“RESOLVED, that the following individuals are elected to the Board of Directors of the Company to hold office until their successors have been duly elected or appointed or until they cease to be a Director in accordance with the Articles of the Company:*

*C. Robert Black                      Bernard de Combret*

*Olivier de Montal                      Frank A. Inouye*

*John J. Murphy                      Lloyd Barnaby Smith*

*Randy L. Bartley                      Forrest E. Wylie; and*

*John B. Zaozirny.*

### **Appointment of Auditors**

At the Meeting, the Company's shareholders will be asked to approve a resolution reappointing the accounting firm of Deloitte & Touche, LLP as the Company's auditors, to hold office until the next annual general meeting of the shareholders and remuneration to be fixed by the Board. Deloitte & Touche, LLP were appointed to serve as the Company's auditors on 17 August 2007.

#### **Our Board of Directors recommends a vote FOR the following proposal:**

*"RESOLVED, that the selection by the Audit Committee of the Board of Directors of the firm of Deloitte & Touche, LLP, as independent auditor of the Company for the year 2008, is hereby approved, ratified and confirmed.*

*RESOLVED FURTHER, that the Audit Committee of the Board of Directors be and they are hereby authorized without further shareholder approval, to determine the amount of the Auditors' remuneration."*

### **2008 Incentive Stock Option Plan**

The directors believe it important that directors, officers and employees of the Company and any subsidiaries which it may acquire be appropriately and properly motivated and rewarded. To this end, the directors have established the 2008 Incentive Stock Option Plan (the "2008 Stock Option Plan), under which eligible persons will be invited to participate at the discretion of the Board. The 2008 Incentive Stock Option Plan will supersede the Company's existing stock option plan, and upon adoption of the 2008 Incentive Stock Option Plan, all previously issued stock options will be governed by its terms in addition to options issued under this plan going forward.

As the 2008 Stock Option Plan, as contemplated by the directors, allows the Company to issue options exceeding 10% of the Common Shares currently issued and outstanding and allows for grants to Insiders exceeding 10% of the Common Shares currently issued and outstanding, the Company is required under the applicable policies of the TSX Venture Exchange to obtain "Disinterested Shareholder Approval" for its implementation. "Disinterested Shareholder Approval" means approval by a majority of the votes cast by shareholders entitled to vote at a meeting of the shareholders of the Company excluding votes attached to shares beneficially owned by Insiders holding outstanding options of the Company or to whom options may be granted under the 2008 Stock Option Plan, and their associates.

The 2008 Stock Option Plan is attached as Appendix B. A copy of the current "rolling" stock option plan was included in last year's Management Information Circular and can be found on the Company's website at [www.coastalenergy.com](http://www.coastalenergy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). The following table compares the major provisions of both the current and proposed incentive stock option plans, but it is not intended to be all-inclusive of every provision contained in each plan.

<b>Article - Attribute</b>	<b>Current ISO Plan</b>	<b>Proposed ISO Plan</b>
Article 1 - Definitions		Expanded and clarified.
Article 2 - Maximum shares reserved for ISO grants	10% of total issued and outstanding shares less option shares already granted.	15,000,000 shares less option shares already granted.
Article 4 – Option Grants	Requires a non-specified Option Agreement to evidence every option granted.	Defines a required Notice of Grant to evidence every option granted.
Article 4 – Option Grants to Insiders	Aggregate number of Common Shares reserved for issuance to Insiders in any 12 month period shall not exceed 10% of	Aggregate number of Common Shares reserved for issuance to Insiders in any 12 month period shall not exceed 15% of

	the outstanding Common Shares at the time of grant.	the outstanding Common Shares at the time of grant.
Article 5 – Exercise Price	Defined as the average of closing price of the Company's common shares for the 5 days preceding the date of grant.	The Company will set the price in accordance with Exchange policy and applicable securities law.
Article 5 – Expiry Date	Not exceeding 5 years from Date of Grant.	Not exceeding 5 years from Date of Grant.
Article 5 – Vesting	The Company shall determine the manner Options vest.	The Company shall determine the manner Options vest.
Article 5 – Recognition of Black-Out period	<u>No</u> recognition of Company imposed black-out period for exercising options by insiders.	Recognition of Company imposed black-out period for exercising options by insiders.
Article 5 – Ceasing to be Eligible Person	Terminated for cause – options terminate immediately; death – 12 months to exercise; or all other – 180 days to exercise.	Terminated for cause – options terminate immediately; death – 12 months to exercise; or all other – 180 days to exercise.
Article 6 – Exercise Procedure	No defined form for Optionee to complete to exercise options.	<b>New</b> defined form for Optionee to complete to exercise options.
Article 6 – Exercise Procedure	No mention of Optionee having ability to execute a “cashless” exercise.	<b>New</b> section providing guidance for Optionee wishing to execute a “cashless” exercise.
Article 7 – Amendment of Options	The Company may amend previously granted Options with approval of participant and disinterested shareholders.	The Company may amend previously granted Options with approval of participant and disinterested shareholders.
Article 8 – Change in Control	No Provision.	<b>New</b> Provision to protect Optionee rights by accelerating the vesting schedule should the Company undergo a change in control.

**Our Board of Directors recommends a vote by disinterested shareholders FOR the following proposal:**

*"RESOLVED, that the 2008 Incentive Stock Option Plan be and is hereby approved, and that the Board of Directors be and they are hereby authorized without further shareholder approval, to make such changes to the 2008 Incentive Stock Option Plan as may be required or approved by regulatory authorities."*

If this resolution is approved by the disinterested shareholders, it is expected that the Board of Directors will in due course grant further options under the Plan as the Board deems fit in light of the overall compensation program and the relative efforts and contributions of the eligible participants under the Plan.

**Additional Information**

Further information related to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the year ended 31 December 2007.

To request copies of the financial statements and management's discussion and analysis, shareholders may contact William Phelps, the Company's Chief Financial Officer, at 3355 W. Alabama, Suite 500, Houston, Texas 77098-1717, USA, telephone +01 713 877-6727.

**Approval of This Circular**

The directors have approved the content of this Circular and its delivery to the shareholders.]

ON BEHALF OF THE BOARD OF DIRECTORS  
*"Frank A. Inouye"*  
Frank A. Inouye  
Chairman of the Board  
George Town, Grand Cayman, BWI  
June 20, 2008

**APPENDICES TO THE MANAGEMENT INFORMATION CIRCULAR  
OF COASTAL ENERGY COMPANY DATED 20 JUNE 2008**

- APPENDIX A    Audit Committee Terms of Reference**
- APPENDIX B    2008 Incentive Stock Option Plan**
- APPENDIX C    Year End December 31, 2007 Financial Package**