



# **COASTAL ENERGY COMPANY**

**NOTICE OF ANNUAL GENERAL MEETING**

**TO BE HELD ON JULY 22, 2009**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

(all financial information as at December 31, 2008 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 JULY 22, 2009 at 10:00 a.m. (London time) at Strand Partners Limited offices at 26 Mount Row, London, W1K 35Q, England, for the following purposes:

1. to receive the audited financial statements of the Company for the year ended December 31, 2008 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 transact such other business as may properly be brought before the meeting or at any adjournment or adjournments thereof.

Accompanying this Notice of Meeting are the Company's audited financial statements for the fiscal year ended December 31, 2008, the Company's management discussion and analysis for the fiscal year ended December, 31, 2008, a management information circular (the "**Circular**"), and a form of proxy (the "**Proxy**").

Only shareholders of record on June 17, 2009 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

Bernard de Combret  
Chairman of the Board  
George Town, Grand Cayman, BWI  
June 25, 2009

# 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 25, 2009 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 July 22, 2009 at Strand Partners Limited offices at 26 Mount Row, London, W1K 35Q, England, 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, 207,500 Common Shares representing approximately 0.22% of the Company's 99,380,720 currently outstanding Common Shares. In addition, six of the independent Directors serve on a board of seven "Attorneys" under a voting trust agreement covering 38,967,580 Common Shares representing 39.23% 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 Proxyholder

The individuals named in the accompanying form of proxy are Randy L. Bartley, the Company's Executive Director and Chief Executive Officer, 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:**

COMPUTERSHARE  
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, BR3 4TU, ENGLAND

**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 proxyholders 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
Issued and Outstanding as at the Record Date:	99,380,720 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 Computershare, 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 17, 2009 (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)
Oscar S. Wyatt, Jr. (2)(3)	38,769,580	39.23%

- (1) Based on 99,380,720 shares issued and outstanding as at the Record Date.
- (2) These shares are subject to a Voting Agreement in which six of the independent Directors serve on the board of seven "Attorneys" which holds the proxy for these shares.
- (3) Included in these shares are 5 million shares held by a limited partnership in which Mr. Wyatt is a general partner. These shares are also subject to the Voting Agreement per Note (2)

## CORPORATE GOVERNANCE

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.

The Company has reviewed its own corporate governance practices in light of these guidelines. In most cases, the Company's practices comply with the guidelines, however, the Board considers that some of the guidelines are not suitable for the Company at its current stage of development and therefore these guidelines have not been adopted. 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, Board committee Terms of Reference, are reviewed regularly and modified as warranted. These materials are available in print to any shareholder upon request.

Director Independence. In accordance with NI 58-101, the Board has determined that six (6) out of seven (7) 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. Mr. Bartley, the Company's President and Chief Executive Officer is not independent.

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

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). It is also available in print to any shareholder upon request. Under the Board's Governance Principles, 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 CEO and the presiding director. 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 anyone who has a concern about the Company's conduct or policies, or any employee who has a concern about the Company's accounting, internal accounting and reporting controls or auditing matters to communicate that concern directly to the Board, to the presiding director, to the non-management directors or to the Audit Committee. Such communication may be confidential or anonymous, and may be e-mailed, submitted in writing or reported by phone to the designated whistleblowing officer ("DWO"), who will immediately contact the Corporate Governance and Nominating Committee of the Board. All such communications are promptly reviewed by the DWO, and any concerns relating to accounting, internal accounting and disclosure controls, auditing or officer conduct are sent immediately to the presiding director and to the chair of the Audit Committee. The Company's Whistleblowing Procedure prohibits any employee from retaliating or taking adverse action against anyone for raising or helping to resolve an issue raised through this process.

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

Our Board of Directors currently consists of seven (7) directors. Bernard de Combret is the Board's chairman and presiding director, 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.

The Board has adopted written Terms of Reference for all of its four (4) standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, and the Reserves Committee. The Board has determined that all members of the Audit, Compensation, Corporate Governance and Nominating and Reserves Committees will be independent.

Audit Committee. The members of the Audit Committee are Messrs. Black, Wylie and Zaozirny (currently the chair). The Board has determined that Messrs. Black, Wylie and Zaozirny 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 23 April 2009, which contains information for the year ended December 31, 2008. 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 Messrs. Black (currently the chair) and Smith. This 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. This committee also oversees the Company stock option plan. No director is permitted to participate in discussions or decisions concerning his own remuneration. Additional information on the 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 Messrs. de Combret (currently the chair) 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 Charter. 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.

Reserves Committee. The members of the Reserves Committee are Messrs. Black, de Combret, Smith and Wylie (currently the chair). The purpose of the Reserves Committee is to assist the Board with supervising the Company's reserves evaluation process and public disclosure of reserves and related information. In this regard, the Reserves Committee meets at least twice each year, with the 1st meeting to precede the commencement by the Company's independent analyst, currently Huddleston & Co., Inc. (the "Reserves Auditor"), of its annual assessment and evaluation of the Company's oil and gas reserves, the "Annual Reserves Report"; and the second meeting to occur after the Reserve Auditor's completion of the Annual Reserves Report, but prior to the Reserve Committee's presentation of the Annual Reserves Report to the Board.

### **Orientation and Continuing Education**

Each new director receives an outline of the nature of the Company's business, its corporate strategy and current issues affecting the Company. New directors are also required to meet with management of the Company to discuss and better understand the Company's business and are advised by legal counsel of the Company of their legal obligations as 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 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 of the Canadian provinces of British Columbia and Alberta on September 16, 2005, and in the province of Ontario on September 11, 2006. Its shares are listed on the TSX-V exchange.

The Company was listed on the London AIM exchange on January 25, 2005.

### **Compensation Objectives**

Performance. The base salary and bonuses (if any) paid to the Company's managers are designed to reward annual achievements and be commensurate with the scope or responsibilities, demonstrated leadership abilities and management experience and effectiveness. The Company's other elements of compensation focus on motivating and challenging the executive to achieve superior longer-term sustained results.

Alignment. The Company seeks to align the interest of executives with those of its investors by evaluating executive performance on the basis of key financial measurements, which it believes closely correlate to long-term shareholder value, including revenue, organic revenue, cost containment, 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 elements of compensation that aligns the interest of the executives with shareholders is the Company's stock option plan and stock appreciation rights plan.

Retention. The Company operates in a highly competitive and open industry where its executives are often presented with other professional opportunities. The Company attempts to retain its executives by (1) staying current on the compensation levels within the industry and (2) using continued service as a determinate of total pay opportunity. A key element of the Company's executive compensation plan is the extended vesting terms on incentive stock option awards, a factor which promotes continuity of management by requiring an executive's longer-term service in order for him or her to receive any, or maximum, payout on his or her options.

### **Elements used to Achieve Compensation Objectives**

Base Salary. Base salaries depend on the scope of the employees' responsibilities, their performance, and the period over which they have performed their responsibilities. Decisions regarding salary increases take into account each 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 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 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 and drives results and provides incentives to sustain this performance over the longer-term.

Stock Options. The Company has a stock option plan, which is designed to align the interests of its directors and employees with those of its shareholders' and to retain the directors and employees through the term of the awards. The grant size, as compared to the perceived value of each of the employee's services, is considered when making award decisions. The amount of equity incentive compensation granted in 2008 was based on a peer review performed by a third party consultant, as well as the strategic, operational and financial performance of the Company overall, and it reflected each of the recipient's expected contributions to the Company's future success. Existing ownership levels are not a factor in award determinations, as the Company does not want to discourage directors and employees from holding significant amounts of the Company's stock.

Under Canadian generally accepted accounting principles ("GAAP") the Company expenses 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 a defined benefit plan or a defined contribution plan in place. The Company established a voluntary non-discriminatory retirement savings plan under the United States Internal Revenue Code Section 401(k) ("401(k) Plan") for its US based employees. Under the Company's 401(k) Plan, employees may elect to participate by having a certain percentage of their pre-taxed earnings contributed into their tax deferred retirement account. The Company then matches the individual employee's contribution up to 5% of the individual employee's earnings, with certain exceptions for highly compensated employees. Each employee is immediately vested in their own contributions as well as the Company matching contributions. Each employee determines the investments for their own account.

Stock Appreciation Rights ("SARs") or Restricted Share Compensation Plans. During 2008, the Company introduced a cash-settled SARs plan; no SARs were awarded under this plan during the year ended December 31, 2008. The compensation cost for SARs granted to employees under this plan is accounted for using the fair value method. Under the fair value method, employee compensation expense attributed to SARs is measured at the fair value of the excess of the market price of the award at the grant date over the price of the SARs granted using the Black-Scholes option-pricing model and is recognized over the vesting period of the award. The expense is further adjusted at each balance sheet date for the effect of changes in the underlying price of the Company's common shares.

Subsequent to December 31, 2008, the Company awarded SARs under its plan for the equivalent of approximately 2,075,000 shares, of which approximately 280,000 shares are contingent upon the achievement of certain performance goals established by the Company. These awards vest 33.3% on each of the subsequent anniversaries of the date the award was granted. The amount of the SARs granted in 2009 was based on a peer review performed by a third party consultant, as well as the strategic, operational and financial performance of the Company overall, and it reflected each of the recipient's expected contributions to the Company's future success.

Long-Term Incentive Plans. The Company does not have a long-term incentive plan other than the stock option plan and the SARs plan discussed above. 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 or restricted share compensation.

Indebtedness of Directors, Executive and Senior Officers. During the fiscal year ended December 31, 2008, 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 Executive Officers in 2008**

The Company had five officers during the year ended December 31, 2007 and had six officers at 2008 year's end, of which three are considered Named Executive Officers by virtue of their title (Chief Executive Officer or CEO and Chief Financial Officer or CFO) or acting in a similar capacity to the CEO or CFO.

## Perquisites

In addition to cash and equity compensation, the Company provides Named Executive Officers with certain personal benefits, consistent with similar benefits and coverage for the employees within the jurisdiction under which they are employed. These benefits include medical benefit programs, long and short term disability coverage, life insurance, an annual medical, long-term care insurance, travel insurance and employee assistance program. As these benefits are non-discriminatory and available to all employees, the cost of these benefits is not included in the summary compensation table.

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, 2008.

## Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation <sup>(1)</sup>		Retirement Plan Value <sup>(2)</sup> (US\$)	All Other Compensation (US\$)	Total Compensation (US\$)
		Salary (US\$)	Bonus (US\$)	Option Awards (#)	Option Awards (US\$)			
Frank A. Inouye <sup>(3)</sup> Chairman	2008	\$365,442	\$80,896	350,000	\$533,260	Nil	\$90,930	\$1,070,528
	2007	\$396,004	\$82,080	Nil	Nil	Nil	Nil	\$478,084
	2006	\$308,224	Nil	375,000	\$726,660	Nil	Nil	\$1,034,884
Randy L. Bartley <sup>(4)</sup> Chief Executive Officer	2008	\$384,861	\$212,500	1,000,000	\$612,900	\$12,813	Nil	\$1,223,074
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil
William C. Phelps <sup>(5)</sup> Chief Financial Officer	2008	\$254,560	\$53,849	250,000	\$380,900	\$14,542	Nil	\$703,851
	2007	\$284,300	\$53,849	Nil	Nil	Nil	Nil	\$338,149
	2006	\$59,200	Nil	250,000	\$484,440	Nil	Nil	\$543,640
John M. Griffith <sup>(6)</sup> Vice President, Operations Thailand General Manager	2008	\$213,542	Nil	100,000	\$178,650	Nil	Nil	\$392,192
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### Notes

- (1) The only long-term compensation the Company provided was in the form of stock option awards. The fair market value of the option awards have been calculated using the Black-Scholes valuation model. The options are stated in Canadian dollars, so the Black-Scholes model computes the fair value of the options granted in Canadian dollars on the date of the award. The Canadian dollars are then converted into United States dollars for the purpose of this model using the Bank of Canada closing rate of exchange on the grant date. There were no options that were amended or modified during the year. All options granted in this year expire 5 years for the date of grant and vest 25% upon award and 25% per year for the next three years on the anniversary date of the grant. Options granted in 2006 have been adjusted for the stock consolidation effective in November 2007. These options expire 5 years from the date of grant and vest 25% upon award and 25% per year for the next three years on the anniversary of the date of grant.
- (2) The Company provides no pension plans. The amounts shown in this column represent the Company's matching contribution to the employee's retirement savings account.
- (3) Mr. Inouye resigned from the Company effective December 9, 2008. As part of Mr. Inouye's separation from the Company, he received \$64,624 which is included in the other compensation above. The remainder of all other compensation for Mr. Inouye is the value of the company car provided to him.
- (4) Mr. Bartley was employed by the Company effective February 2, 2008. As an employment inducement he was paid a sign-on bonus of \$212,500 and he was granted 1,000,000 incentive stock options.
- (5) Mr. Phelps was employed by the Company effective September 26, 2006.
- (6) Mr. Griffith was employed by the Company effective February 23, 2008. As an employment inducement he was granted 100,000 incentive stock options.

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

The following table sets out the stock options exercised during the fiscal year ended 31 December 2008 and the stock options held by the Named Executive Officers as at 31 December, 2008. "In-the-Money" Options are those where the market value of the underlying securities exceeds the option exercise price.

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Named Executive Officer	Option Grant Date (2)(3)	Option Exercise Price	Option Expiration Date	Number of Securities Acquired or Exercised	Aggregate Value Realized	Number of Unexercised Options Exercisable	Number of Unexercised Options Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End Exercisable / Unexercisable
Inouye <sup>(1)</sup>	01/25/05	£0.40	12/31/09			187,500	Nil	£76.875 / Nil
	07/06/05	£1.40	12/31/09			62,500	Nil	Nil / Nil
	12/27/06	CAD 2.20	12/31/09			375,000	Nil	Nil / Nil
	01/25/08	CAD 3.94	12/31/09			350,000	Nil	Nil / Nil
Bartley	09/24/08	CAD 3.94	02/05/13			250,000	750,000	Nil / Nil
Phelps	12/27/06	CAD 2.20	12/27/11			187,500	62,500	Nil / Nil
	01/25/08	CAD 3.94	01/25/13			62,500	187,500	Nil / Nil
Griffith	05/05/08	CAD 4.44	05/06/13			25,000	75,000	Nil / Nil

Notes

- (1) Mr. Inouye resigned from the Company effective December 9, 2008. As part of Mr. Inouye's separation from the Company all his options became fully vested and were re-set to expire on December 31, 2009.
- (2) Options granted before 9/26/06 vested 100% immediately upon grant.
- (3) Options granted after 9/26/06 vested 25% immediately upon grant and 25% each year for three years from the date of grant on the anniversary date of the grant.

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

During the Company's fiscal year ended December 31, 2008, the Company had employment contracts with Mr. Inouye, Mr. Bartley, and Mr. Phelps. The following summarizes the current employment agreements with current Named Executive Officers:

Mr. Bartley. Mr. Bartley entered into a two-year employment agreement dated 1 January 2009 in respect of his employment by the Company as its Chief Executive Officer. Pursuant to this Agreement, Mr. Bartley is entitled to a base salary of \$425,000 per year plus standard benefits and vacation. Mr. Bartley is also given the option for resignation with comparable benefits upon a "change of control" of the Company. This agreement contains a standard non-competition and confidentiality provision, and provides that on termination without cause, Mr. Bartley is entitled to receive his full salary for a period of 24 months from the date of notice of termination. This Agreement further provides that all of Mr. Bartley's Options and SARs will immediately become vested and exercisable upon termination.

Mr. Phelps. Mr. Phelps entered into a two-year employment agreement dated 1 February 2009 in respect of his employment by the Company as its Chief Financial Officer. Pursuant to this Agreement, Mr. Phelps is entitled to a base salary of \$290,000 per year plus standard benefits and vacation. Mr. Phelps is also given the option for resignation with comparable benefits upon a "change of control" of the Company. This agreement contains standard non-competition and confidentiality provision, and provides that on termination without cause, Mr. Phelps is entitled to receive his full salary for a period of 24 months from the date of notice of termination. This Agreement further provides that all of Mr. Phelps Options and SARs will immediately become vested and exercisable upon termination.

Mr. Griffith. Mr. Griffith entered into a one-year employment agreement dated 1 June 2009 in respect of his employment by the Company as its Vice President of Operations and resident manager of the Bangkok office of the Company's subsidiary, NuCoastal (Thailand) Limited. Pursuant to this Agreement, Mr. Griffith is entitled to a base salary of \$270,000 per year plus standard benefits and vacation. Mr. Griffith is also given the option for resignation with comparable benefits upon a "change of control" of the Company. This agreement contains standard non-competition and confidentiality provision, and provides that on termination without cause, Mr. Griffith is entitled to receive his full salary for a period of 12 months from the date of notice of termination. This Agreement further provides that all of Mr. Griffith's Options and SARs will immediately become vested and exercisable upon termination.

### Management Contracts

The Company is not party to any management contracts, except with respect to oversight of a limited number of overseas contracts for fabrication and/or operation of offshore production equipment or facilities, in circumstances where the Company believes it is better served by retention of consultants, rather than deployment of employees, to oversee the work of the foreign contractor. 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

Each non-executive director receives \$30,000 per year for acting in such capacity, payable quarterly. The Senior Independent Non-executive Director receives an additional \$60,000 per year for acting in such capacity. Each non-executive committee chairman receives an additional \$5,000 - \$10,000 per year for acting in such capacity. In addition, each non-executive director receives \$1,500 for every convened Board or committee meeting he attends, and \$500 for every telephonic Board or committee meeting he attends. The directors of the Company may also be granted stock options for the Company's shares and / or SARs 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, 2008.

	Year Elected	Annual Compensation		Long-Term Compensation		
		Annual Retainer (US\$)	Committee Fees (US\$)	Securities Under Options (#)	Other Long-Term Compensation (US\$)	All Other Compensation (US\$)
Frank A. Inouye <sup>(1)</sup>	2004	Nil	Nil	Nil	Nil	Nil
Albert E. Whitehead <sup>(2)</sup>	2006	5,000	2,333	Nil	Nil	Nil
Randy L. Bartley <sup>(3)</sup>	2008	Nil	Nil	Nil	Nil	Nil
C. Robert Black	2006	30,000	22,500	Nil	Nil	Nil
Bernard de Combret	2006	65,000	21,375	Nil	Nil	Nil
Oliver de Montal	2006	30,000	5,542	Nil	Nil	Nil
John J. Murphy <sup>(4)</sup>	2006	30,000	17,458	Nil	Nil	Nil
Lloyd Barnaby Smith	2006	30,000	13,500	Nil	Nil	Nil
Forrest E. Wylie	2006	30,000	16,500	Nil	Nil	Nil
John B. Zaozirny	2005	30,000	19,500	Nil	Nil	Nil

Notes:

- (1) Mr. Inouye served as President of the Company until February 5, 2008. Effective February 5, 2008, Mr. Inouye became Chairman and his total compensation is reported as a named executive officer. Mr. Inouye resigned from the Board and his position as Chairman effective December 9, 2008.
- (2) On February 5, 2008, Mr. Whitehead retired from the Board and his position as Chairman.
- (3) Mr. Bartley serves as Chief Executive Officer of the Company and his total compensation is based on this position. He receives no compensation for serving on the Board of the Company or any of its committees.
- (4) On May 1, 2009, Mr. Murphy retired from the Board.

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

The following table sets out the stock options exercised during the fiscal year ended 31 December 2008 and the stock options held by the Non-Executive Directors as at 31 December, 2008. "In-the-Money" Options are those where the market value of the underlying securities exceeds the option exercise price.

***[The remainder of this page is intentionally left blank]***

Non-Executive Director	Option Grant Date (1)(2)	Option Exercise Price	Option Expiration Date	Number of Securities Acquired or Exercised	Aggregate Value Realized	Number of Unexercised Options Exercisable	Number of Unexercised Options Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End Exercisable / Unexercisable
Whitehead	01/25/05	£0.40	12/31/09	25,000	\$75,369	Nil	Nil	Nil / Nil
	07/06/05	£1.40	07/06/10	37,500	\$39,880	Nil	Nil	Nil / Nil
	12/27/06	CAD 2.20	12/27/11	125,000	\$289,138	Nil	Nil	Nil / Nil
Black	12/27/06	CAD 2.20	12/27/11			187,500	62,500	Nil / Nil
de Combret	12/27/06	CAD 2.20	12/27/11			187,500	62,500	Nil / Nil
de Montal	12/27/06	CAD 2.20	12/27/11			187,500	62,500	Nil / Nil
Murphy	12/27/06	CAD 2.20	12/27/11			187,500	62,500	Nil / Nil
Smith	12/27/06	CAD 2.20	12/27/11			187,500	62,500	Nil / Nil
Wylie	12/27/06	CAD 2.20	12/27/11			187,500	62,500	Nil / Nil
Zaozirny	12/27/06	CAD 2.20	12/27/11			187,500	62,500	Nil / Nil

Notes:

- (1) Options granted before 9/26/06 vested 100% immediately upon grant.
- (2) Options granted after 9/26/06 vested 25% immediately upon grant and 25% each year for three years from the date of grant on the anniversary of the date of grant.

### Information on Stock Ownership

The following table sets forth the shareholdings of the Company's directors and officers as of June 1, 2009.

Name	Director or Officer	Stock Held (1)	Voting Power (2)	Total
C. Robert Black	Director		5,538,512	5,538,512
Bernard de Combret	Director		5,538,512	5,538,512
Oliver de Montal	Director	32,500	5,538,512	5,571,012
John J. Murphy <sup>(4)</sup>	Director	75,000	5,538,512	5,613,512
Lloyd Barnaby Smith	Director		5,538,512	5,538,512
Forrest E. Wylie <sup>(3)</sup>	Director		5,538,512	5,538,512
John B. Zaozirny	Director	75,000	5,538,512	5,613,512
Randy L. Bartley	Director / Officer	25,000		25,000
William C. Phelps <sup>(3)</sup>	Officer	10,000		10,000
Totals		217,500	38,769,584	38,987,084

Notes

- (1) This column lists stock held either directly or indirectly. No director or executive officer owns more than 0.08% of the total outstanding shares, nor do all directors and executive officers as a group own more than 0.22% of the total outstanding shares of 99,380,720.
- (2) This column represents the shares owned by Oscar S. Wyatt, Jr. either directly or indirectly 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 15 June 2007 and filed with SEDAR. These shares represent 39.23% of the total shares outstanding.
- (3) Mr. Phelps and Mr. Wylie are each 25% limited partners in a limited partnership which holds 5 million shares of the Company. These 5 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.
- (4) On May 1, 2009, Mr. Murphy retired from the Board.

### 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 2008, 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, seven (7) directors are to be elected to hold office until the 2010 Annual General Meeting of Shareholders of the Company and until their successors have been duly elected or appointed or until they are removed by ordinary resolution. The seven (7) nominees for election at the Meeting are listed in the table below and have brief biographies following on page 16. The Board of Directors of the Company has determined that the following six (6) directors satisfy the TSX-V and AIM Exchanges' definition of independent director: C Robert Black, Bernard de Combret, Oliver de Montal, Lloyd Barnaby Smith, Forrest E. Wylie and John B. Zaozirny. Randy L. Bartley is not independent as he is the President and Chief Executive Officer of the Company. The Company does not know of any reason why a 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.

Name, jurisdiction of residency and position	Principal Occupation or Employment during the past five years	Company Director Since	Ownership of Company stock <sup>(1)</sup>
Randy L. Bartley Houston, TX, USA President and CEO	President and CEO of the Company since February 2008, previously founding partner and COO of Erskine Energy. LLC	February 2008	25,000
C. Robert Black <sup>(2)(3)(5)</sup> Horseshoe Bay, TX, USA Non-Executive Director	Retired Senior Vice President in the office of the Chairman of Texaco, Inc.	September 2006	
Bernard de Combret <sup>(4)(5)</sup> Geneva, Switzerland Non-Executive Chairman	International Consultant and former Deputy Chairman of Total Fina Elf S.A.	September 2006	
Olivier de Montal Paris, France Non-Executive Director	Administrator of Olympia Capital Holding	September 2006	32,500
Lloyd Barnaby Smith <sup>(3)</sup> Richmond, England Non-Executive Director	United Kingdom Ambassador to Thailand through July 2003	September 2006	
Forrest E. Wylie <sup>(2)(4)(5)</sup> Houston, TX, USA Non-Executive Director	Chairman and CEO of Buckeye Partners LP, previously Vice Chairman of Pacific Energy Partners LP's Board of Directors	September 2006	
John B. Zaozirny <sup>(2)</sup> Calgary, Alberta, Canada Non-Executive Director	Vice Chairman of Canaccord Capital Corporation, previously counsel to law firm of McCarthy Tetrault LLP through 2008	June 2005	75,000

**Notes:**

- (1) This amount represents shares beneficially owned either directly or indirectly. See Note 2 to the table on Stock Ownership (on page 14) for information about additional shares controlled / voted by certain of the Directors.
- (2) Member of the Audit Committee
- (3) Member of the Compensation Committee
- (4) Member of the Corporate Governance and Nominating Committee
- (5) Member of the Reserves Committee

**Randy L. Bartley, 56, Houston, Texas – Chief Executive Officer and President/Director since February 2008** Before joining the Company Mr. Bartley most previously worked for Erskine Energy, LLC, a private equity-sponsored company, where he served as founding partner and COO for four years. He has 33 years of diversified experience in the oil and gas industry, working for companies, including El Paso Corporation, Coastal Corporation and Texaco, Inc. The last 10 of those years were 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 and both in the U.S. and internationally. Mr. Bartley graduated from Rose Hulman Institute of Technology in 1975 with a degree in mechanical engineering. He is professionally affiliated with the Society of Petroleum Engineers and the National Ocean Industries Association.

**C. Robert Black, 74, Horseshoe Bay, TX, USA - Non-Executive Director since 2006** 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, 67, Geneva, Switzerland - Non-Executive Director since 2006, Chairman since December 2008** Mr. de Combret is an international consultant and former Deputy Chairman of Total Fina Elf S.A. Following senior positions in both foreign affairs and the Ministry of Finance with the French Civil Service, he spent over 20 years with the Elf Aquitaine S.A. Group. During his industry career, Mr. de Combret was involved with building the trading organization of Elf Aquitaine and then subsequently Total. As Chief Executive of the Refining and Marketing Division, he played a leading role in increasing profitability of the downstream sector and, in 2000, became Deputy Chairman of Total Fina Elf's Executive Committee and President & Chief Executive for gas and power trading. Mr. de Combret left Total Fina Elf in 2002 after successful completion of the mergers with Petro Fina S.A. and Elf Aquitaine S.A. Mr. de Combret joined the Board of Directors of Petrofac Limited in 2003 and the Board of Directors of Winstar Resources Ltd.

**Olivier de Montal, 70, 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 Developpement. 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 Supérieure de Commerce de Paris, and is a Chevalier de l'Ordre national de la Légion d'honneur (France).

**Lloyd Barnaby Smith, CMG, 64, Richmond, England - Non-Executive Director since 2006** 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, 46, Houston, TX, USA - Non-Executive Director since 2006** Mr. Wylie currently serves as Chairman and CEO of Buckeye Partners, LP (NYSE). Mr. Wylie served as Vice Chairman of Pacific Energy Partners LP's board of directors from March 2005 until November 2006. 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, 62, Calgary, Alberta, Canada - Non-Executive Director since 2005** Mr. Zaozirny is Vice-Chairman of Canaccord Capital Corporation. Previously, Mr. Zaozirny was counsel to the law firm of McCarthy Tetrault LLP through 2008 and 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, Pengrowth Energy Trust and Provident Energy Ltd.



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	Nova Biosource Fuels, Inc.	AMEX
Bernard de Combret	Petrofac Limited Winstar Resources, Ltd.	LSE TSX
Oliver de Montal	Nil	Nil
Lloyd Barnaby Smith	Nil	Nil
Forrest E. Wylie	Buckeye GP Holdings L.P. Buckeye Partners, LP Eagle Bulk Shipping Inc.	NYSE NYSE NASDAQ
John B. Zaozirny	Bankers Petroleum Ltd. Bayou Bend Petroleum Ltd. Canaccord Capital Inc. Canadian Oil Sands Trust Computer Modeling Group Ltd. Computer Modeling Group Ltd. Pacific Rubiales Energy Corp. Pengrowth Corporation Provident Energy Ltd. Terravest Income Fund	TSX TSX TSX TSX TSX TSX TSX TSX TSX TSX

### **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 first appointed to serve as the Company's auditors on 30 August 2006.

### **The 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 2009, 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.”*

### **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 December 31, 2008.

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  
*"Bernard de Combret"*  
Bernard de Combret  
Chairman of the Board  
George Town, Grand Cayman, BWI  
June 25, 2009

**APPENDIX TO THE MANAGEMENT INFORMATION CIRCULAR  
OF COASTAL ENERGY COMPANY DATED 25 JUNE 2009**

- APPENDIX A Management's Discussion and Analysis as of December 31, 2008**  
**APPENDIX B Audited Financial Statements as of December 31, 2008**