COASTAL ENERGY COMPANY
(formerly PetroWorld Corp.)

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2006

Dated June 15, 2007

Table of Contents

Abbreviations 2
Exchange Rate Data 4
Preliminary Notes 4
Item 1 Corporate Structure 6
- **1.1 Name, Address And Incorporation** 6
- **1.2 Intercorporate Relationships** 6

Item 2 General Development of the Business 6
- **2.1 Nucoastal (Prior to the Reverse Takeover)** 6
- **2.2 Petroworld (Prior to the Reverse Takeover)** 6
- **2.3 Coastal (The Reverse Takeover and Thereafter)** 7

Item 3 Description of Business 8
- **3.1 General** 8
- **3.2 Thailand Properties** 8
- **3.3 Other Non-Core Properties** 12
- **3.4 Reserves and Other Oil and Gas Information** 13
- **3.5 Risk Factors** 17

Item 4 Dividends 22
Item 5 Description of Capital Structure 22
Item 6 Market for Securities 22
Item 7 Escrowed Securities 23
Item 8 Directors and Officers 23
- **8.1 Name, Occupation and Security Holding** 23
- **8.2 Conflicts of Interest** 25

Item 9 Legal Proceedings 25
Item 10 Interest of Management and Others in Material Transactions 25
Item 11 Transfer Agents and Registrars 25
Item 12 Material Contracts 25
Item 13 Interests of Experts 25
Item 14 Audit Committee Information 26
Item 15 Recent Developments 27
Item 16 Additional Information 27
Appendix A – Report on Reserves Data by Independent Qualified Reserve Evaluator 28
Appendix B – Report of Management and Directors on Reserves Data and Other Information 30
Appendix C – National Instrument 51-101 Equity Investment Disclosure 31
Appendix D – Audit Committee Mandate 34

Abbreviations

Oil and Natural Gas Liquids		Natural Gas	
Bbl	barrel	Mcf	thousand cubic feet
Bbls	barrels	MMcf	million cubic feet
Mbbls	thousand barrels	Mcf/d	thousand cubic feet per day
MMbbls	million barrels	MMcf/d	million cubic feet per day
Mstb	1,000 stock tank barrels	MMbtu	million British Thermal Units
Bbls/d	barrels per day	Bcf	billion cubic feet; 1 bcf = 0.83 million
BOPD	barrels of oil per day		tons of oil equivalent
NGLs	natural gas liquids	M	thousand
STB	standard tank barrels	MM	million

Other

API	American Petroleum Institute
^{o}API	an indication of the specific gravity of crude oil measured on the API gravity scale
BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 BOE for 6 Mcf of natural gas (this conversion factor is an industry accepted norm and is not based on either energy content or current prices)
BOE/d	barrel of oil equivalent per day
cubic feet	A volume measuring one foot high by one foot long by one foot deep
m^3	cubic meter, a volume measuring one meter high by one meter long by one meter deep
MBOE	1,000 barrels of oil equivalent
MMBOE	million barrels of oil equivalent
$000s	thousands of dollars
WTI	West Texas Intermediate, the reference price paid in US dollars at Cushing, Oklahoma for crude oil of standard grade

Conversions

To Convert From	To	Multiply by
Mcf	Cubic meters	28.174
Cubic meters	Cubic feet	35.494
Bbls	Cubic meters	0.159
Cubic meters	Bbls oil	6.290
Feet	Meters	0.305
Meters	Feet	3.291
Miles	Kilometres	1.609
Kilometres	Miles	0.621

Glossary of Technical Terms

The following defined terms have the respective meanings set out below:

2-D seismic program 2-Demensional seismic reflection data acquired in accordance with a predefined program and measured in line kilometres

2-D seismic data 2-Demensional seismic reflection data that has been digitally processed

2P Proved + Probable

3-D seismic data 3-Demensional seismic reflection data that has been digitally processed

3P Proved + Probable + Possible

Appraisal wells	wells drilled after successful exploration wells to gain further information on newly discovered oil or gas reserves
Condensate	light hydrocarbons that are gaseous subsurface, but condensate into a liquid similar to light crude oil at surface temperature and pressure; an NGL
Development wells	wells drilled to exploit the hydrocarbon accumulation defined by an appraisal well
Exploration wells	wells designed to initially test the validity of seismic interpretation and to confirm the presence of hydrocarbons
Exploratory well	a well designed to investigate the presence of hydrocarbon bearing rocks and or rocks that are capable of generating hydrocarbons
Gas Field	a hydrocarbon accumulation that is predominately gas
Hydrocarbons	a chemical compound fundamental for petroleum formulation that consists entirely of carbon and hydrogen
Reserve	Oil & Gas – Proved, Proved + Probable and Proved + Probable + Possible reserves except when referring to net present value calculations when reserves should only include Proved and Proved + Probable reserves
Resource	Oil & Gas – Contingent and Prospective Resources
Royalties	a payment to the government or others, usually expressed as a percentage of the total hydrocarbon production
Contingent Resource	Those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations, but which are not currently economic
Proved	Those reserves which on the available evidence are virtually certain to be technically and economically producible (i.e. having a better than 90% chance of being produced)
Probable	Those reserves which are not yet proved but which are estimated to have a better than 50% chance of being technically and economically producible. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves
Possible	Those reserves which at present cannot be regarded as "probable", but are estimated to have a significant but less than 50% chance of being technically and economically producible. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved + probable + possible reserves

Reference is also made to the glossary of technical terms included in the management information circular dated July 25, 2006, which is incorporated in this AIF by reference.

Certain Definitions

In this Annual Information From, the following words and phrases have the following meanings, unless the context otherwise requires:

"AIF" means this Annual Information Form;

"AIM" means the Alternative Investment Market of the London Stock Exchange plc;

"APICO" means Apico LLC and its subsidiaries. This entity is a United States limited liability company which holds certain working interests in onshore Thailand;

"Coastal" means Coastal Energy Company and refers to the Company post the Reverse Takeover;

"Concession" means an area of the surface and/or subsurface to which exploration rights have been granted by the relevant government authority;

"Concessionaire" means an individual, company or other entity to which exploration or exploitation rights have been granted;

"COGE Handbook": means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"Common shares" means the common shares of a nominal or par value of $0.01 in the capital of the Company;

"Huddleston Report" means the report of Huddleston & Co., Inc. dated April 11, 2007, evaluating the crude oil, natural gas liquids and natural gas reserves of the Company as at December 31, 2006;

"NI 51-101" means National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities;

"NuCoastal" means NuCoastal Thailand Limited, a company incorporated under the laws of Thailand;

"PCA" means the Petroleum Concession Agreement granted by the Kingdom of Thailand to under which a company may explore, develop and produce hydrocarbons;

"Petrotech Report" means the report of Petrotech Engineering Ltd. dated March 14, 2006, evaluating the crude oil, natural gas liquids and natural gas reserves of the Company as at January 1, 2006;

"PetroWorld" means PetroWorld Corp. and its subsidiaries;

"Reverse Takeover" means the September 25, 2006 acquisition by PetroWorld of all the outstanding stock of NuCoastal accounted for as a Reverse Takeover;

"TSX-V" means the TSX Venture Exchange in Canada;

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the content otherwise requires, shall have the same meaning herein as in NI 51-101.

Exchange Rate Data

Dollar amounts expressed herein are in United States (US) dollars, Canadian (CDN) dollars and UK pounds.
Exchange rates on December 31, 2006 and June 15, 2007 were:

	December 31, 2006	June 15, 2007
US$1.00	CDN $1.1653	CDN $1.0679
US$1.00	£0.5106	£0.5060
CDN $1.00	US$0.8581	US$0.9364
CDN $1.00	£0.4381	£0.4738

Preliminary Notes

Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form ("**AIF**") of Coastal Energy Company (the "**Company**") is as of December 31, 2006**. Information on the Company includes Coastal Energy Company and its subsidiaries and affiliates.**

Financial Information

All financial information in this AIF is prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**"). All dollar amounts are expressed in United States dollars (US $) unless otherwise indicated.

Forward-looking Information

This AIF contains certain forward-looking information and forward-looking statements as defined in applicable securities laws. These statements relate to the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "can", "may", "expect", "believe", "plan", "continue", "estimate", "project", "predict", "potential", "should" and similar expressions is intended to identify forward-looking statements. These statements include, but are not limited to, future capital expenditures, future financial resources, future oil and gas well activity, outcome of specific events, and trends in the oil and gas industry. These statements are derived from certain assumptions and analyses made by the Company based on its experience and interpretation of historical trends, current conditions and expected future developments, and other factors that it believes are appropriate in the circumstances. These statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations implied in such statements, such as prevailing economic conditions; commodity prices; sourcing, pricing and availability of raw materials, component parts, equipment, suppliers, facilities and skilled personnel; dependence on major customers; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; regional competition; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this AIF are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. Events or circumstances could cause actual results to differ materially from those implied by forward-looking statements made in this AIF. The reader should also carefully consider the matters discussed in section 3.4 ("Risk Factors") of this AIF. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws.

Documents Incorporated by Reference

Information has been incorporated by reference in this AIF from documents filed with the securities commissions or similar authorities in the Provinces of British Columbia, Alberta and Ontario (the "**Commissions**"). Copies of the documents incorporated herein by reference are available under the Company's profile on the SEDAR website at www.sedar.com.

The following documents of the Company, which have been filed with the Commissions, are specifically incorporated by reference into, and form an integral part of, this AIF:

(a) the management information circular dated as of July 25, 2006, for the extraordinary and annual general meeting of the shareholders of the Company held on August 30, 2006 and adjourned as to certain matters to September 22, 2006;

(b) final short form prospectus of the Company dated September 8, 2006;

(c) application for re-admission to the Alternative Investment Market of the London Stock Exchange dated September 8, 2006 ("**AIM Admission Document**");

(d) the annual audited consolidated financial statements of the Company for the fiscal years ended December 31, 2006 and 2005, together with the auditor's report thereon and notes thereto, and management's discussion and analysis of financial condition and results of operations of the Company for the fiscal years ended December 31, 2006 and 2005.

Any statement contained in a document incorporated or deemed incorporated by reference in this AIF shall be deemed to be modified or superseded for the purpose of this AIF to the extent that a statement contained in this AIF or in any subsequently filed document that also is or is deemed to be incorporated by reference in this AIF modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this AIF, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that contains the statement that it modifies or supersedes.

Item 1 Corporate Structure

1.1 Name, Address and Incorporation

Coastal Energy Company (the "**Company**") was incorporated as "Action Ventures Ltd." on May 26, 2004 under the laws of the Cayman Islands. On November 10, 2004, the Company changed its name to "PetroWorld Corp" and on September 27, 2006, the Company changed its name to "Coastal Energy Company" upon completion of the Reverse Takeover of NuCoastal by PetroWorld. The Company's registered office is located at 87 Mary Street, PO Box 265GT, George Town, Grand Cayman, BWI.

The Company has one class of shares, being common shares with nominal or par value of US$0.01 per share (each a "**common share**"). The common shares trade on the Alternative Investment Market of the London Stock Exchange ("**AIM**") and on the TSX Venture Exchange (the "**TSX-V**"), in each case under the trading symbol "CEO". The Company is a reporting issuer in each of the Provinces of British Columbia, Alberta and Ontario.

1.2 Intercorporate Relationships

The Company has three subsidiaries, namely Coastal Energy Company Nevada (formerly PetroWorld Nevada Corp.), a company incorporated in the United States under the laws of the State of Nevada; Coastal Energy (UK) Company Limited (formerly PetroWorld Corp. (UK) Limited), a company incorporated under the laws of the United Kingdom; and NuCoastal, a company incorporated under the laws of the Kingdom of Thailand. Each of these subsidiaries has one class of issued securities, being common shares, 100% of which are owned by the Company.

Item 2 General Development of the Business

The Company is an independent oil and gas exploration, development and production company, with core assets offshore and onshore Thailand. PetroWorld commenced operations as a public company on January 25, 2005. As of December 31, 2006, the Company had a market capitalization of $208 million.

Due to the significance of the Reverse Takeover of NuCoastal by PetroWorld, below is a brief description of the events that have influenced the general development of the Company's business over the past four years for both NuCoastal and PetroWorld prior to the Reverse Takeover and subsequently Coastal after the Reverse Takeover.

2.1 NuCoastal (prior to the Reverse Takeover)

On April 21, 2003, NuCoastal was incorporated in Thailand.

On July 17, 2003, NuCoastal was granted PCA No. 7/2546/64 covering Block G5/43 in the Gulf of Thailand, which covers approximately 17,110 square hectares off the east coast of Thailand (the "**Concession Area**"). See Item 3 "Description of Business – 3.2 Thailand Properties".

On December 15, 2003, NuCoastal acquired a 25.5% interest in APICO. See Item 3 "Description of Business – 3.2 Thailand Properties".

2.2 PetroWorld (prior to the Reverse Takeover)

On May 26, 2004, PetroWorld was incorporated as Action Ventures, Ltd.

On November 10, 2004, PetroWorld changed its name to PetroWorld Corp.

On January 25, 2005, PetroWorld began trading on AIM under the symbol "PWC." Concurrently, PetroWorld completed its Initial Public Offering of 12 million shares of common stock and raised $2.2 million.

On April 15, 2005, PetroWorld entered into a seismic option agreement with Cortez Exploration LLC to evaluate 44,604 acres of federal leases located in Gabbs Valley, Nevada, USA.

On June 15, 2005, PetroWorld acquired a 50% working interest in the PCA covering Block G5/43 in the Gulf of Thailand pursuant to a farm-out agreement (the "**Farm-out Agreement**") with NuCoastal. Upon the Reverse Takeover by NuCoastal effective September 25, 2006, the Company reconsolidated its 100% ownership interest in the Block. See Item 3 "Description of Business – 3.2 Thailand Properties".

On July 20, 2005, PetroWorld closed a brokered private placement offering (the "**Placement**") of 18,750,000 units (each a "**Unit**") at a price of 35 pence per Unit (then US$0.64 per Unit), each Unit consisting of one common share and one-half of a common share purchase warrant, each warrant entitling the holder to purchase one share at a price of 70 pence per common share for a period of five years ending July 20, 2010. Part of the proceeds of the Placement was used to repay a £2.3 million (US$4.3 million) loan facility from parties unrelated and related to the Company.

On August 31, 2005, PetroWorld announced that it, together with its 50% owner and operator NuCoastal, had successfully completed an appraisal drilling program on the Bua Ban Field, located in Block G5/43 in the Gulf of Thailand,

On September 16, 2005, PetroWorld began trading on the TSX-V under the symbol "PWD".

On March 30, 2006, PetroWorld and NuCoastal entered into a letter of intent to merge both companies' assets in Thailand, with PetroWorld agreeing to purchase all issued and outstanding shares of NuCoastal. NuCoastal's sole shareholder was Oscar S. Wyatt Jr. of Houston, Texas. Upon announcement of this transaction, PetroWorld's trading on AIM and TSX-V was halted. In view of the size of the NuCoastal acquisition in relation to PetroWorld, under the AIM Rules, the Company was required to apply for the re-admission of the common shares outstanding prior to the issue of new shares in connection with such acquisition and the Offering (as defined below) and to apply for admission of the new shares.

2.3 Coastal (the Reverse Takeover and thereafter)

On September 25, 2006, the following events occurred:

- PetroWorld acquired all of the issued and outstanding shares of NuCoastal in consideration for the issuance of 151,663,323 common shares of PetroWorld (the "Reverse Takeover"). PetroWorld issued enough shares to the shareholder of NuCoastal so that control passed to NuCoastal's shareholder. The Reverse Takeover was completed for a total value of $33.8 million. As a result, and in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), this transaction has been accounted for as a reverse takeover, with NuCoastal being identified as the acquirer for accounting purposes.
- PetroWorld was re-admitted to trading on AIM.
- The Company acquired 106,278 shares of (representing a 10.63% interest) APICO from PH Gas L.P. ("PHG") in consideration for 36,419,562 common shares of the Company for a total value of $22.0 million, increasing the Company's interest in APICO to 36.1%. This transaction is referred to as the "Apico Acquisition" throughout this AIF.
- The Company completed a brokered financing (the "Offering") of 61,500,000 common shares of the Company at a price of $0.58 (CDN$0.65) per share, raising gross proceeds of approximately $35.8 million (CDN$40.0 million). Included within the 61,500,000 common shares, the Company issued 3,415,000 and 4,726,000 common shares to NuCoastal's shareholder and PHG, respectively, in consideration for approximately $2.0 million and $2.7 million of funds that had been advanced to APICO by NuCoastal's shareholder and PHG, respectively. The Company issued a further 1,500,000 common shares at the same price upon exercise of the over-allotment option for gross proceeds of $0.9 million (CDN$1.0 million.) Net proceeds of the Offering were $29.2 million.

On September 27, 2006, as part of the Reverse Takeover, the Company changed its name from "PetroWorld Corp." to "Coastal Energy Company."

On October 4, 2006, the Company's trading symbol changed from PWC on the AIM and PWD on TSX-V to CEO on both exchanges to better reflect its name change to Coastal Energy Company. Its ISIN number was also changed to KY G224041007.

On November 16, 2006, the Company announced that it would begin an extensive 3D seismic survey over its wholly-owned offshore Block G5/43 in the Gulf of Thailand under a signed agreement with Petroleum Geo-Services Asia Pacific Pte. Ltd. On January 8, 2007, the Company announced this survey had been completed. The Company acquired approximately 330 square kilometres of high resolution 3D data over the western portion of the Songkhla basin in Block G5/43. The area covered includes the Bua Ban oil field which is one of two fields the Company is looking to develop over the next 12-24 months. The second development, the Songkhla field, already has 3D seismic coverage and development plans for the field are being finalized with production expected to commence in late 2007 / early 2008.

On November 16, 2006, the Company also announced completion of drilling of the 1-12 Cobble Cuesta well in Gabbs Valley, Nevada. The exploration well reached a total of 5,198 feet and encountered oil shows throughout the Tertiary fractured volcanic section. The Company concluded further analysis was required in order to determine if additional work, including testing, was justified.

On November 30, 2006, the Company announced that gas production had commenced from the Phu Horm gas field located in north east Thailand. Initial production from two wells was approximately 60 MMcf/d and was expected to increase to over 100 MMcf/d in 2007. By the end of the year, the field was producing in excess of 75 MMcf/d. The gas will supply the Nam Phong power plant with over 500 billion cubic feet of gas, plus condensate, under a 15-year gas sales agreement with PTT Public Company Limited.

Item 3 Description of Business

3.1 General

The Company believes that over the next several years, the oil and gas sector will be a focus of capital investment and expanded opportunities for development based on growing demand and higher hydrocarbon prices. The Company's strategy is to invest in opportunities in oil and gas related industries. These investments might include acquisitions of interests in oil and gas properties with proved or readily provable reserves, or acquisitions of interests in companies in oil and gas related industries.

The Company's principal oil and gas properties and assets are: (1) 100% direct ownership in the offshore Block G5/43 in the Gulf of Thailand which includes the Bua Ban and Songkhla oil fields. (2) a 12.635% indirect ownership in the onshore Block EU-1 and E5-N in the Phu Horm gas field located in the Khorat Plateau area of Thailand; (3) 36.1% indirect ownership of the onshore Block L15/43 surrounding the Phu Horm gas field and Block L27/43 located southeast of the Phu Horm gas field,; (4) 21.66% indirect ownership of the onshore Block L13/48 located immediately east of the Phu Horm gas field. The Company holds the onshore interests via its 36.1% ownership interest in APICO.

Production commenced from the Company's onshore Thailand gas interest in the Phu Horm Gas Field on November 30, 2006. Except as disclosed in this AIF, no insider of the Company has held an interest in any of the Company's properties in the past three years.

At December 31, 2006, the Company had offices in George Town, Cayman Islands; Bangkok, Thailand; Houston, Texas, USA; and London, England. The total number of employees was sixteen (16) at year end.

3.2 Thailand Properties

(a) Offshore Thailand

NuCoastal acquired 100% working interest in Block G5/43 in the Gulf of Thailand via the PCA on July 17, 2003. Pursuant to the Farm-out Agreement dated June 15, 2005, PetroWorld earned an undivided 50% working interest in the PCA. As a result of the Reverse Takeover, the Company now owns 100% of the working interest in Block G5/43.

Block G5/43 encompasses an area of approximately 17,100 square kilometers off the east coast of Thailand and covers four tertiary basins. Water depths in Block G5/43 range up to 30 meters. Three wells were drilled by NuCoastal and PetroWorld in August 2005 on the Bua Ban field in Block G5/43 which confirmed the existence of commercial quantities of hydrocarbons. Management believes the success of these appraisal wells validates the potential of the Lower Oligocene reservoir in the Songkhla Basin, which contains three other existing discoveries in addition to an extensive portfolio of mapped prospects. The location of Block G5/43 is indicated in Figure 1.

Figure 1 – Location of Block G5/43

The PCA permits the Company to conduct petroleum exploration in the Concession Area for an initial period of six years (the "**PCA Term**"). The PCA requires NuCoastal as holder of the PCA to incur the following expenditures in connection with the Concession Area during the following periods:

PCA Expenditure Obligations

First Obligation Period (for three years):		
First Year	Seismic reprocessing	US$ 125,000
	Geological studies	US$ 150,000
Second Year	Geological studies	US$ 150,000
	Drill two wells	US$1,500,000
Third Year	Geological studies	US$ 100,000
Total		US$2,025,000
Second Obligation Period (for three years):		
Geological studies		US$ 200,000
3-D seismic survey, processing		US$1,250,000
Drill one well		US$ 750,000
Total		US$2,200,000

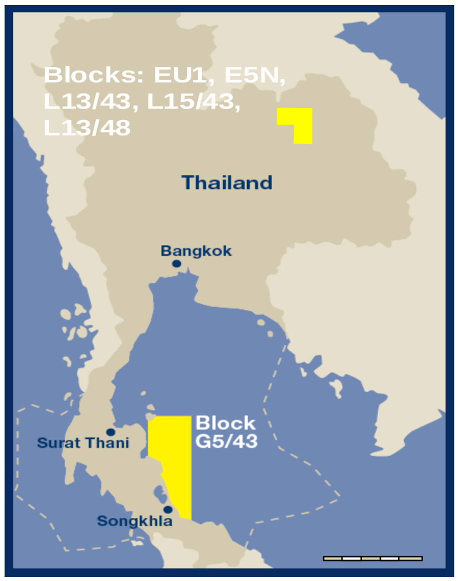
The Company may extend the exploration period beyond the PCA Term by applying for a Third Obligation Period six months before the end of the Second Obligation Period. The obligations relating to the Third Obligation Period will be negotiated and agreed at the time of such extension. The Company has met the expenditure requirements for the First Obligation period and is currently working in the Second Obligation Period. Unspent amounts from the Second Obligation Period are required to be spent on other exploration activities in the Concession Area.

The Company may also apply for petroleum production for a period of 20 years at the end of the petroleum exploration period. Application for extensions of the production period may be made six months prior to its expiration. The PCA provides for the payment of various fees in connection with petroleum production from the Concession

Area, including royalties ranging from 5% to 15% of the value of petroleum sold or disposed of during a month, the amount of such royalties depending on the volume of all types of petroleum produced.

The Company continued to conduct geological and development engineering studies on its assets in the G5/43 block, Gulf of Thailand; including a 3-D seismic acquisition program of 330 square kilometers over the western half of the Songkhla basin. The area covered by the seismic acquisition includes the Bua Ban oil field which is one of two fields the Company is looking to develop over the next 12-24 months. The seismic will supplement existing 3-D over the Songkhla field.

(b) Onshore Thailand



Upon closing of the Reverse Takeover and the PH Gas Acquisition, the Company acquired 25.5% interest and a 10.63% interest in APICO, respectively, for a consolidated APICO interest of 36.1% held by the Company. The below net interest figures are a result of the Company's ownership in APICO.

The Company holds a 12.635% working interest in Blocks EU-1 and E5-N in the Phu Horm gas field ("Phu Horm") located in northeast Thailand. The Company also owns a 36.1% interest in Block L15/43, surrounding Phu Horm, and Block L27/43, which is located southeast of Phu Horm, as well as a 21.66% interest in Block L13/48, which is located immediately east of Phu Horm.

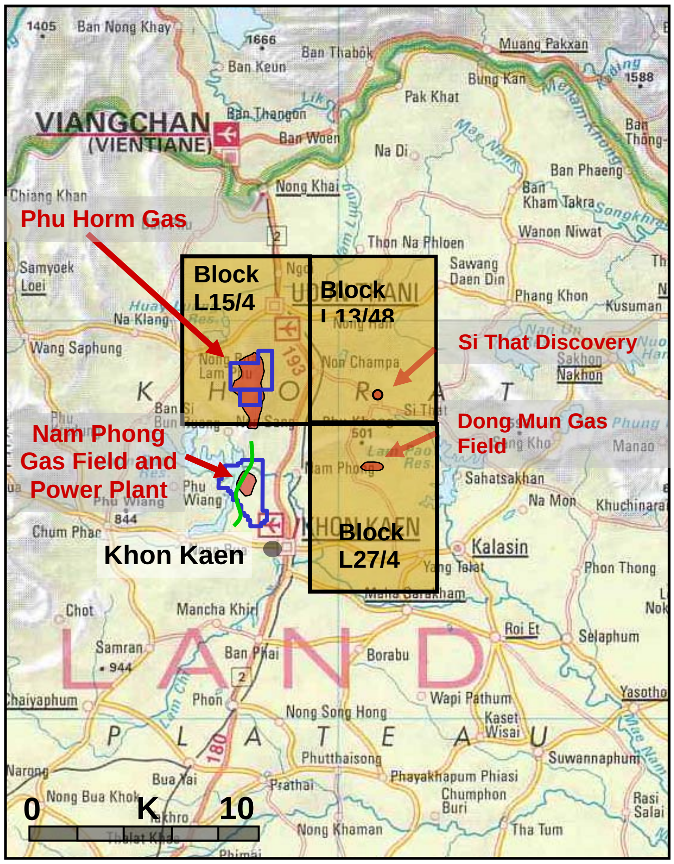
Production at the Phu Horm gas field commenced on November 30, 2006 and will supply the Nam Phong power plant with over 500 billion cubic feet of gas, plus condensate, under a 15 year Gas Sales Agreement with PTT Public Company Limited. Coastal's net interest of 12.6% is held through its equity investment in APICO which holds a 35% interest in the gas field. The other partners in the field include Hess Corporation (Operator - 35%), PTTEP (20%) and ExxonMobil (10%). Three wells (PH-3, 4, 5) at Phu Horm were collectively delivering in excess of 90 MMcf/d to Nam Phong as of May 1, 2007. The field was also producing in excess of 450 bbls of condensate per day.

To provide back up production capacity, a two well development drilling program, Phu Horm 6 & 7, commenced in the third quarter of 2006. The Company expects these support wells to deliver additional production capacity and allow for potential reserve additions over the Phu Horm gas field.

The Company also holds a 36.1% interest in block L15/43 that surrounds Phu Horm. Work is being conducted to enable the drilling of the Phu Horm South appraisal well on the southern extension of Phu Horm. The well will determine whether the productive Phu Horm reservoir extends beyond the Hess operated production license into the surrounding L15/43 concession.

The Company also holds a 36.1% interest in block L27/43 which is located 50 km southeast of the L15 concession. Seismic operations were conducted and evaluated over the Dong Mun structure in 2006. An appraisal well is expected to be drilled in the forth quarter of 2007 to evaluate the Dong Mun prospect. The appraisal well offers the opportunity to add reserves in close proximity to Phu Horm and Nam Phong infrastructure.

In December 2006, the Thai Government formally ratified the L13/48 concession in which Coastal is a net 21.7% interest holder. The L13 concession holds the Si That discovery which tested gas in the Si That-2 well. Si That is located 40km east of Phu Horm. Similar to Dong Mun, Si That offers an appraisal opportunity for additional reserves with low geological and technical risk. The Si That appraisal well is expected to be drilled in 2008.



(c) Evaluation of Offshore and Onshore Properties as at December 31, 2006

Highlights of the Company's reserves, net of royalties, as at December 31, 2006 are:

- a 57% increase from January 1, 2006 in the Company's offshore Proved, Probable ("**2P**") reserves to 16.1 MMboe; and
- a 100% increase from January 1, 2006 in the Company's net share of Proved, Probable ("2P') reserves to 16.5 MMboe from its investment in onshore Thailand properties, which are accounted for using the equity method of accounting.

The complete reserve data for the Company follow in Section 3.4 for the Company's offshore properties and Appendix C for the onshore properties, which are accounted for under the equity method of accounting. The following schedules are consolidated as if the Company directly owned the onshore properties.

Consolidated Reserves Data – Constant (and Future[1]) Prices and Costs

Reserve Category	Light and Medium Crude Oil Gross (Mbbl)	Light and Medium Crude Oil Net (Mbbl)	Natural Gas Gross (Bcf)	Natural Gas Net (Bcf)	Natural Gas Liquids Gross (Mbbl)	Natural Gas Liquids Net (Mbbl)	Totals Gross (Mboe)	Totals Net (Mboe)
Proved:								
Onshore Developed Producing			44.1	4.9	206	23	7,556	833
Offshore Undeveloped	5,900	5,531	-	-	-	-	5,900	5,531
Onshore Undeveloped			367.3	40.5	1,715	189	62,934	6,938
Total Proved	5,900	5,531	411.4	45.4	1,921	212	76,390	13,302
Offshore	11,925	10,577					11,925	10,577
Onshore			460.4	50.8	2,150	237	78,883	8,697
Total Probable	11,925	10,577	460.4	50.8	2,150	237	90,808	19,274
Total Proved Plus Probable	17,825	16,108	871.8	96.1	4,071	449	167,198	32,576

Note 1 – The Reserve data is the same for use with both Constant and future prices and costs

Consolidated Net Present Value of Future Net Revenues - Constant Prices and Costs

	Net Present Value of Future Net Revenue, $ Millions									
	Before Income Taxes, Discounted at					After Income Taxes, Discounted at				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**	**0%**	**5%**	**10%**	**15%**	**20%**
Proved										
Onshore Developed Producing	22.0	17.4	14.1	11.7	9.9	10.8	8.8	7.3	6.2	5.4
Offshore Undeveloped	119.9	98.9	81.5	67.1	55.0	47.0	38.0	30.4	23.9	18.5
Onshore Undeveloped	164.7	116.3	84.8	63.8	49.5	81.4	58.9	43.8	33.6	26.5
Total Proved	306.6	232.6	180.4	142.6	114.4	139.2	105.7	81.5	63.7	50.4
Offshore	534.9	441.2	366.2	305.7	256.7	256.3	215.4	181.9	154.4	131.5
Onshore	246.7	98.1	40.4	17.2	7.5	123.4	50.2	21.2	9.2	4.1
Total Probable	781.6	539.1	406.6	322.9	264.2	379.7	265.6	203.1	163.6	135.6
Total Proved Plus Probable	1,088.2	771.9	587.0	465.5	378.6	518.9	371.3	284.6	227.3	186.0

Consolidated Net Present Value of Future Net Revenues - Forecast Prices and Costs

	Net Present Value of Future Net Revenue, $ Millions									
	Before Income Taxes, Discounted at					After Income Taxes, Discounted at				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**	**0%**	**5%**	**10%**	**15%**	**20%**
Proved										
Onshore Developed Producing	18.2	14.5	11.9	9.9	8.5	8.8	7.3	6.1	5.3	4.6
Offshore Undeveloped	102.3	84.2	69.1	56.5	46.0	37.8	30.0	23.5	17.9	13.2
Onshore Undeveloped	130.3	91.8	66.7	50.1	38.8	63.9	46.1	34.2	26.1	20.6
Total Proved	250.8	190.5	147.7	116.5	93.3	110.5	83.4	63.8	49.3	38.4
Offshore	507.6	418.7	347.6	290.2	243.6	242.3	203.6	171.9	145.8	124.2
Onshore	242.0	94.9	38.6	16.2	7.1	121.0	48.6	20.2	8.7	3.9
Total Probable	749.6	513.6	386.2	306.4	250.7	363.3	252.2	192.1	154.5	128.1
Total Proved Plus Probable	1,000.4	704.1	533.9	422.9	344.0	473.8	335.6	255.9	203.8	166.5

3.3 Other Non-core Properties

On April 15, 2005, PetroWorld entered into a seismic option agreement with Cortez Exploration LLC to evaluate 44,604 acres of federal leases located in Gabbs Valley, Nevada, USA. After review of the seismic data the Company elected to drill a test well. Upon such well being drilled, the Company elected to commit for only one-half of the drilling and land cost obligation, therefore it would pay only 50% of the land cost ($675,000) and 45% of the drilling cost to earn a 30% working interest in the 44,604 acre lease block and test well.

On November 16, 2006, the Company also announced completion of drilling of the 1-12 Cobble Cuesta well in Gabbs Valley, Nevada. The exploration well reached a total of 5,198 feet and encountered oil shows throughout the tertiary fractured volcanic section. The Company determined further analysis would be required in order to determine if additional work, including testing, is justified.

3.4 Reserves and Other Oil and Gas Information

The reserve information provided below is derived from the Huddleston Report. The evaluation by Huddleston was prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101.

The following tables set forth information relating to the Company's working interest share of revenues, net revenues after royalties, and present worth values as at December 31, 2006 in US dollars. The reserves are reported using constant prices and costs as well as forecast prices and costs. Columns and rows may not add up in the following tables due to rounding.

All evaluations of future net cash flow are stated prior to any provision for interest costs or general and administrative costs and after the deduction of estimated future capital expenditures for wells to which reserves have been assigned. It should not be assumed that the estimated future net cash flow shown below is representative of the fair market value of the Company's properties. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of natural gas, crude oil and condensate reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual gas, crude oil and condensate reserves may be greater than or less than the estimates provided herein.

The Company's Board of Directors reviews the qualifications and appointment if the independent qualified reserves evaluator. The Board of Directors also reviews the procedures for providing information to the evaluator. All booked reserves are based upon annual evaluation by the independent qualified reserves evaluator.

Offshore Reserves Data – Constant Prices and Costs

The following table summarizes the reserves evaluated at December 31, 2006 using constant prices and costs.

	Light and Medium Crude Oil		**Natural Gas**		**Natural Gas Liquids**		**Totals**	
Reserve Category	**Gross** (Mbbl)	**Net** (Mbbl)	**Gross** (Bcf)	**Net** (Bcf)	**Gross** (Mbbl)	**Net** (Mbbl)	**Gross** (Mboe)	**Net** (Mboe)
Proved:								
Undeveloped	5,900	5,531	-	-	-	-	5,900	5,531
Total Proved	5,900	5,531	-	-	-	-	5,900	5,531
Total Probable	11,925	10,577	-	-	-	-	11,925	10,577
Total Proved Plus Probable	17,825	16,108	-	-	-	-	17,825	16,108

Offshore Net Present Value of Future Net Revenues - Constant Prices and Costs

The following table summarizes the net present value of future net revenues attributable to reserves evaluated at December 31, 2006 for the constant prices and costs case. The net present values are reported before income tax and income tax and have been discounted using rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent.

Reserves Category	Net Present Value of Future Net Revenue, $ Millions — Before Income Taxes, Discounted at 0%	5%	10%	15%	20%	After Income Taxes, Discounted at 0%	5%	10%	15%	20%
Proved										
Undeveloped	119.9	98.9	81.5	67.1	55.0	47.0	38.0	30.4	23.9	18.5
Total Proved	119.9	98.9	81.5	67.1	55.0	47.0	38.0	30.4	23.9	18.5
Total Probable	534.9	441.2	366.2	305.7	256.7	256.3	215.4	181.9	154.4	131.5
Total Proved Plus Probable	654.8	540.1	447.7	372.8	311.6	303.3	253.4	212.3	178.3	150.0

Offshore Future Net Revenue – Constant Prices and Costs

The following table summarizes the total undiscounted future net revenue evaluated at December 31, 2006 using constant prices and costs.

Reserve Category ($ millions)	Revenues	Royalties	Operating Costs	Development Costs	Well Abandonment Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Proved	352.8	22.1	140.0	69.8	1.0	119.9	72.9	47.1
Proved Plus Probable	1,065.9	102.7	202.8	101.3	1.4	654.8	351.5	303.3

Offshore Future Net Revenue by Production Group – Constant Prices and Costs

The following table summarizes the net present value of future net revenue by production group evaluated at December 31, 2006 using constant prices and costs, discounted at 10 percent.

Reserve Category	Production Group	**Future Net Revenue Before Income Taxes** (discounted at 10%) ($ millions)
Proved	Light and Medium Crude Oil	81.5
Proved Plus Probable	Light and Medium Crude Oil	447.7

Offshore Reserves Data – Forecast Prices and Costs

The following table summarizes the reserves evaluated at December 31, 2006 using forecast prices and costs.

	Light and Medium Crude Oil		Natural Gas		Natural Gas Liquids		Totals	
Reserve Category	Gross (Mbbl)	Net (Mbbl)	Gross (Bcf)	Net (Bcf)	Gross (Mbbl)	Net (Mbbl)	Gross (Mboe)	Net (Mboe)
Proved:								
Undeveloped	5,900	5,531	-	-	-	-	5,900	5,531
Total Proved	5,900	5,531	-	-	-	-	5,900	5,531
Total Probable	11,925	10,577	-	-	-	-	11,925	10,577
Total Proved Plus Probable	17,825	16,108	-	-	-	-	17,825	16,108

Offshore Net Present Value of Future Net Revenues - Forecast Prices and Costs

The following table summarizes the net present value of future net revenues attributable to reserves evaluated at December 31, 2006 for the forecast prices and costs case. The net present values are reported before income tax and income tax and have been discounted using rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent.

	Net Present Value of Future Net Revenue, $ Millions									
	Before Income Taxes, Discounted at					After Income Taxes, Discounted at				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**	**0%**	**5%**	**10%**	**15%**	**20%**
Proved										
Undeveloped	102.3	84.2	69.1	56.5	46.0	37.8	30.0	23.5	17.9	13.2
Total Proved	102.3	84.2	69.1	56.5	46.0	37.8	30.0	23.5	17.9	13.2
Total Probable	507.6	418.7	347.6	290.2	243.6	242.3	203.6	171.9	145.8	124.2
Total Proved Plus Probable	609.9	502.9	416.7	346.7	289.6	280.1	233.6	195.4	163.7	137.4

Offshore Future Net Revenue – Forecast Prices and Costs

The following table summarizes the total undiscounted future net revenue evaluated at December 31, 2006 using forecast prices and costs.

Reserve Category ($ millions)	Revenues	Royalties	Operating Costs	Development Costs	Well Abandonment Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Proved	339.6	21.2	143.6	71.3	1.2	102.3	64.6	37.8
Proved Plus Probable	1,023.7	98.5	206.8	106.8	1.7	609.9	329.8	280.1

Offshore Future Net Revenue by Production Group – Forecast Prices and Costs

The following table summarizes the net present value of future net revenue by production group evaluated at December 31, 2006 using forecast prices and costs, discounted at 10 percent.

Reserve Category	**Production Group**	**Future Net Revenue Before Income Taxes** (discounted at 10%) ($ millions)
Proved	Light and Medium Crude Oil	69.1
Proved Plus Probable	Light and Medium Crude Oil	416.7

Summary of Pricing and Inflation Rate Assumptions

Summaries of the December 31, 2006 pricing and inflation rate assumptions used in the evaluation by Huddleston are as follows:

Constant Prices and Costs

WTI Spot Oil Price ($/bbl)	**Brent Spot Oil Price** ($/bbl)	**Tapis Oil Price** ($/bbl)	**Thailand Offshore Crude Oil Price** ($/bbl)
60.85	58.96	65.39	59.80

Forecast Prices and Costs

Period	Year	WTI Spot Oil Price ($/bbl)	Brent Spot Oil Price ($/bbl)	Thailand Offshore Crude Oil Price ($/bbl)	Inflation Rate (%/year)
1	2007	62.00	60.50	61.34	2%
2	2008	60.00	58.50	59.34	2%
3	2009	58.00	56.50	57.34	2%
4	2010	57.00	55.50	56.34	2%
5	2011	57.00	55.50	56.34	2%
6	2012	57.50	56.00	56.84	2%
7	2013	58.50	57.00	57.84	2%
8	2014	59.75	58.25	59.09	2%
9	2015	61.00	59.50	60.34	2%
10	2016	62.25	60.75	61.59	2%
11	2017	63.50	62.00	62.84	2%
	Thereafter	+2%/yr	+2%/yr	+2%/yr	2%

Offshore Reserves and Future Net Revenue Reconciliations

In its 2005 AIF, PetroWorld reported reserves based on the Petrotech Report dated March 14, 2006. The following tables reconcile reserves reported therein with the reserves reported in the Huddleston Report.

Offshore Reconciliation of Net Reserves, by Principle Product Type using Constant Prices and Costs

The following table sets forth the reconciliation of the Company's net reserves by principle product type for the year ended December 31, 2006 using constant prices and costs. Net reserves include working interest reserves after royalties.

	Light & Medium Crude Oil (Mbbl)			**Natural Gas** (mmcf)			**Condensate** (Mbbl)		
	Proved	Probable	Total	Proved	Probable	Total	Proved	Probable	Total
January 1, 2006 [1]	2,509	4,463	6,972	0.0	0.0	0.0	0	0	0
Acquisitions [2]	2,509	4,463	6,972	0.0	0.0	0.0	0	0	0
Revisions	513	1,651	2,164	0.0	0.0	0.0	0	0	0
Less Production	0	0	0	0.0	0.0	0.0	0	0	0
December 31, 2006	**5,531**	**10,557**	**16,108**	**0.0**	**0.0**	**0.0**	**0**	**0**	**0**

Note 1 – Per the Petrotech Report for Proved Plus Probable working interest reserves, net of royalty volumes
Note 2 – The Company acquired an additional 50% interest in two offshore Thailand oil fields, Bua Ban and Songkhla, in 2006

Offshore Reconciliation of Changes in Future Net Revenue

The following table sets forth the Company's reconciliation of future net revenue attributable to net proved reserves from January 1, 2006 to December 31, 2006 using constant prices and costs, discounted at 10 percent.

Period / Factor		**($ millions)**
Present value of future net reserves at January 1, 2006 [1]	$	45,234
Oil and gas sales during the period, net of royalties and production costs		0
Changes due to prices		4,865
Accretion of discount		4,205
Changes resulting from technical revisions plus effect of timing		0
Changes resulting from acquisition of reserves [2]		45,234
Changes in future development costs		0
Other		(18,011)
Present value of future net revenues at December 31, 2006	**$**	**81,527**

Note 1 – Per the Petrotech Report, revenue from Proved reserves only
Note 2 – The Company acquired an additional 50% interest in two offshore Thailand oil fields, Bua Ban and Songkhla, in 2006

3.5 Risk Factors

Prospective investors should be aware that an investment in the Company involves a high degree of risk and should only be made by those with the necessary expertise to appraise the investment. The following are considered by the Company's directors (the "**Directors**") to be the main risk factors which could have a material adverse effect on the business, financial condition, results or future operations of the Company and which are material to making investment decisions in respect of the common shares and should be read in conjunction with the other information contained in this AIF. The following list is not intended to be exhaustive, but it should be considered carefully by prospective investors in evaluating whether to make an investment in the Company. Additional risks and uncertainties not presently known to the Directors or which they reasonably believe to be immaterial may also have an adverse effect on the Company.

An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise there from (which may be equal to the whole amount invested).

There can be no certainty that the Company will be able to successfully implement the strategy set out in this AIF. No representation is or can be made as to the future performance of the Company and there can be no assurance that the Company will achieve its objectives.

Investment risk

Although the Company's common shares in issue at the time of admission to trading on AIM (the "**Admission**") were admitted to trading, they will not be listed on the Official List of the UK Listing Authority (the "**Official List**"). An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed.

Following Admission, the market price of the common shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. This volatility could be attributable to various facts and events, including the performance of the Company's operations, developments in the Company's business, regulatory or economic changes affecting the Company's operations, the market price of oil and gas, large purchases or sales of shares, liquidity (or absence of liquidity) in the common shares, currency fluctuations or changes in market sentiment towards the common shares. In addition, the Company's operating performance and prospects from time to time may be below the expectations of market analysts and investors.

Accordingly, the market price of the common shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their common shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company, while others of which may be outside the Company's control.

Exploration risks

The business of exploration for oil and gas involves a high degree of risk. Few properties that are explored are ultimately developed into producing oil and gas fields.

Substantial expenditure is required to establish the extent of oil and gas reserves through seismic surveys and drilling. There can be no guarantee or assurance that exploration on the concessions in which the Company currently holds interests, or on other concession areas that may be acquired in the future, will lead to the discovery of hydrocarbon resources or, if hydrocarbons are discovered, that commercial quantities can be economically exploited.

The evaluation (for example through seismic surveys) and drilling of exploration targets may be curtailed, delayed or cancelled by the unavailability of drilling rigs or technical contractors, mechanical difficulties, adverse weather and ocean conditions, environmental issues, compliance with government requirements or technical hazards, such as unusual or unexpected formations or pressures. Drilling may result in unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some hydrocarbons, are not sufficiently productive to justify commercial development. Furthermore, the successful completion of a well does not assure a profit on investment or the recovery of drilling, completion and operating costs.

Exploration costs

The proposed exploration expenditure to be undertaken by the Company is based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and the actual costs may therefore materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

Commercial risks

Even if the Company recovers quantities of oil or gas, there is a risk it will not achieve a commercial return. The Company may not be able to transport the oil or gas to commercially viable markets at a reasonable cost or may not be able to sell the oil or gas to customers at a price and quantity which would cover its operating and other costs.

A*bility to exploit successful discoveries*

It may not always be possible for the Company to participate in the exploitation of any successful discoveries which may be made in any areas in which it has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretion by such authorities. It may or may not be possible for such conditions to be satisfied.

Operating risks

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Damages occurring as a result of such risks may give rise to claims against the Company which may not be covered, in whole or part, by insurance.

Limited operating history

Although the Directors have experience in the acquisition, development, operation and sale of assets similar to those assets acquired and intended to be acquired by the Company, the Company does not have a sustained operating history (i) upon which it is possible to evaluate its likely performance or (ii) which is sufficient to give confidence that the Company will succeed as a business enterprise. Investors should be aware of the difficulties normally encountered by small oil and gas companies and the high rate of failure of such enterprises. These risks include, without limitation, the fact that initial investments in properties may use the available start-up capital and not result in producing oil and/or gas properties.

Operating Losses

The Company has incurred losses since inception. The Company currently has no direct revenue from production; however, the Company has earnings from its interest in Apico, which is accounted for under the equity method of accounting. Since the Company may invest in unproved properties, it is possible that the Company will not generate revenue sufficient to pay the ongoing expenses in the future. If the Company, at some point in the future, is not able to generate revenue from the operations of its properties sufficient to cover its expenses, without further funding the Company may not be able to continue operations and any purchasers of the common shares may lose their investment.

Resource and reserve estimates

Although oil and gas has been discovered in the areas in which the Company holds interests, it is not known whether it has been found in commercial quantities and there is no certainty that it will be found in commercial quantities. Hydrocarbon resource and reserve estimates are expressions of judgment based on knowledge, experience and industry practice. They are therefore imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Estimates that were reasonable when made may change significantly when new information from additional drilling and analysis becomes available. This may result in alterations to development and production plans which may, in turn, adversely affect operations. Estimates of the possible hydrocarbon resources that might be hosted in license areas in which the Company holds interests should not be taken to imply that any hydrocarbon resources are present in these structures.

Economic and price risks

Changes in the general economic climate in which the Company operates may adversely affect its financial performance and the value of its exploration assets. In particular, the current and expected future price of oil and gas can change rapidly and significantly and this can have a substantial effect on the value of the Company's exploration assets and the potential future revenue and profits that might be earned from the successful development of those assets. The marketability of any oil and gas discovered will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment and government regulations including regulations relating to taxation, royalties, allowable production, importing and exporting of oil and gas and environmental protection.

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and natural gas prices and, in particular, a material decline in the price of oil or natural gas may have a materially adverse effect on the Company's business, financial condition and results of operations, assuming production is achieved. Oil and gas prices could affect the viability of exploring and/or developing the Company's interests.

Risks related to Thailand

- ***There are certain risks associated with doing business in Thailand****:* *From* 1996 to 1998, Thailand's gross domestic product ("**GDP**") growth slowed significantly in relation to historical levels and the country entered a recession. Since 1999, Thailand's economy has been recovering, recording positive GDP growth each year. However, prospects for the global and regional economy are uncertain. The demand for energy is generally correlated with GDP, thus a fall in Thailand's GDP could lead to a reduction in the demand for energy, which could have a material adverse effect on the financial condition and results of operations of the Company.

- ***Political and economic conditions in Thailand will have a direct impact on the business of the Company****:* The Company will be subject to a political, economic, legal and regulatory environment in Thailand that differs in certain significant respects from that prevailing in certain other countries with economies that are more developed than Thailand's economy. The results of operations of the Company and those of most of its customers may be influenced in part by the political situation in Thailand and the general state of the Thai economy. The political situation in Thailand has been unstable from time to time in the past. Future political and economic instability in Thailand could have an adverse effect on the Company's business and operations and those of its principal customers. The Thai government has frequently intervened in Thailand's economy and occasionally made significant changes in policy. The government's actions to control inflation and effect other policies have included, among other things, wage and price controls, capital controls and limits on imports. The business, financial condition and results of operations of the Company may be harmed by changes in policies involving petroleum products, tariffs, exchange controls, tax policies and other matters.

- ***The consequences of terrorist attacks could adversely affect the Company****:* The terrorist attacks in the United States on September 11, 2001 disrupted securities markets worldwide, have adversely affected economic conditions in the United States and elsewhere and have resulted in increased political and economic uncertainty worldwide. Further terrorist actions in Bali and Jakarta, Indonesia, and terrorist activity throughout Southeast Asia, including Thailand, have also increased political and economic uncertainty in Southeast Asia. In addition, the ongoing military operations and presence in Iraq which began in the early part of 2003 have further disrupted the world financial markets and worldwide economic activity from time to time. Political or economic developments related to these crises could adversely affect the Thai economy and could have an adverse effect on the financial condition and results of operations of the Company.

Environmental risks

The Company's operations are subject to the environmental risks inherent in the oil and gas exploration and production industry. The Company is subject to environmental laws and regulations in connection with all of its operations. Although the Company intends to be in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent in its activities, such as accidental spills, leakages or other circumstances, which could potentially subject the Company to extensive liability.

Furthermore, the Company may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

Foreign exchange risk

The Company will operate internationally and will therefore be exposed to the effects of changes in currency exchange rates. The Company does not currently hedge these currency risks.

Competition

The Company will compete with other companies, including major oil and gas exploration and production companies. Some of these companies have greater financial and other resources than the Company, including substantial global refining and downstream processing and marketing operations. As a result, such companies may be in a better position to compete for future business opportunities and there can be no assurance that the Company can compete effectively with these companies.

Title and payment obligations

The concessions in which the Company has or may acquire an interest will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each concession is usually at the discretion of the relevant government authority. If a concession is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any hydrocarbon resources on that concession area.

The Company is or may become subject to payment and other obligations under the concessions and certain other contractual agreements to which the Company is or may in the future become party. In particular, for certain concessions, the Company is required to expend funds necessary to meet the minimum work commitments attaching to those concessions. Failure to meet these work commitments would render the concessions liable to be revoked. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Company.

Reliance on key personnel

The Company's business is dependent on recruiting and retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of its directors and senior management and the loss of one or more of these individuals could have a materially adverse effect on the Company.

Retention of key business relationships

The Company relies on strategic relationships with other entities such as joint venture farm-in parties and also on good relationships with regulatory and governmental departments. While the Directors have no reason to believe otherwise, there can be no assurance that its existing relationships will continue to be maintained or that new ones will be formed successfully and the Company could be affected adversely by changes to such relationships or difficulties in forming new ones. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could have an adverse impact on the Company, its business, operating results and prospects.

Joint venture party and contractor risks

From time to time, the Company may participate with other companies in the acquisition, exploration and development of natural resource properties, thereby allowing for its participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one particular program. A particular partner company may assign all or a portion of its interest in a particular program to another company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the Directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time. This risk may change depending on the financial position and identity of its partner companies. In addition, the Company is exposed to various risks related to its farm-in partners, joint venture parties and contractors that may adversely affect its proposed activities and licence interests, including:

(i) being unable to secure farm-in partners on acceptable terms to help fund the drilling of future wells on any of its prospects in order to meet exploration commitments;

(ii) financial failure, non-compliance with obligations or default by a participant in any joint venture or farm-in arrangement to which it is, or may become, a party;

(iii) insolvency or other managerial failure by any of the contractors used by any joint venture or farm-in partner in its exploration activities; and

(iv) insolvency or other managerial failure by any of the other service providers used by any joint venture or farm-in party for any activity.

Insurance

The Company plans in the future to insure the risks it considers appropriate for the Company's needs and for its circumstances. The Company recently obtained Business Interruption Insurance for its net production interest in the Phu Horm gas field. The Company also carries environmental and liability on the Phu Horm gas field through APICO participation under the Joint Operating Agreement. However, insurance coverage may not be available for every risk faced by the Company. Although the Company believes that it or the operator should carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Company's or the operator's insurance may not cover or be adequate to cover the consequences of such events. In addition, the Company may be subject to liability for pollution, blow-outs or other hazards against which the Company or the operator may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a materially adverse effect on the business, financial condition and results of operations of the Company. There is a risk that insurance premiums may increase to a level where the Company considers it is unreasonable or not in its interests to maintain insurance coverage or not to a level of coverage which is in accordance with industry practice. In addition, the Company may, following a cost-benefit analysis, elect not to insure certain risks on the grounds that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Company of the insurance coverage.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Company operates and holds its major assets. The Company may operate and acquire assets in non-OECD (Organization for Economic Co-operation and Development) countries and in countries which may have a higher level of perceived or actual political risk than OECD countries.

Future capital needs and funding

Further funding may be required by the Company to support its activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain finance may adversely affect the business and financial condition of the Company and, consequently, its performance. The Company may finance development by farming out or otherwise reducing its level of participation in interests it holds. This could substantially dilute the Company's interest in the concession areas concerned.

Taxation

Any change in the Company's tax status or the tax applicable to holding common shares or in taxation legislation or its interpretation, could (i) affect the value of the investments held by the Company; (ii) affect the Company's ability to provide returns to shareholders; and/or (iii) alter the post-tax returns to shareholders. Statements in this AIF concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change.

Classification as a Passive Foreign Investment Company has adverse income tax consequences for US resident investors

The Company believes that there is a chance that it may be perceived as a Passive Foreign Investment Company ("**PFIC**"), as that term is defined in Section 1297 of the Internal Revenue Code of 1986, as amended, and will continue to be a PFIC in the foreseeable future. Consequently, this classification will result in adverse tax consequences for US holders of the common shares. US shareholders and prospective holders of the common shares are encouraged to consult their own tax advisers.

Accordingly, the market price of the common shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their common shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company, while others of which may be outside the Company's control.

Item 4 Dividends

The Company has not paid dividends since incorporation, and the Board of Directors does not anticipate paying dividends in the near future. The Board of Directors will reconsider the Company's dividend policy as and when the Company is in a position to pay dividends. The declaration and payment of dividends will depend on the results of the Company's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant by the Board of Directors at the time.

Item 5 Description of Capital Structure

The authorized share capital of the Company is US$10,000,000 divided into 1,000,000,000 common shares of nominal or par value of US$0.01 each, of which 307,432,888 common shares are issued and outstanding as of June 15, 2007. Each member of the Company is entitled to one vote for each common share held by such member.

Item 6 Market for Securities

The Company was listed on the TSX-V on September 16, 2005, and traded on the TSX-V under the symbol "PWD". When the Company changed its name from PetroWorld Corp. to Coastal Energy Company effective October 4, 2006, its trading symbol was changed to "CEO". The average monthly trading price and the monthly trading volume for the Company's common shares on the TSX-V in the 12 months ended December 31, 2006 are as follows:

Month	High (Can$)	Low (Can$)	Trading Volume
January	$0.79	$0.62	1,019,300
February	$0.70	$0.44	1,005,439
March	$0.70	$0.45	2,091,700
April	Halted	Halted	Halted
May	Halted	Halted	Halted
June	$0.70	$0.47	1,575,040
July	$0.63	$0.43	4,109,200
August	$0.93	$0.60	3,130,045
September	$0.79	$0.58	14,799,312
October	$0.70	$0.59	1,805,018
November	$0.66	$0.50	2,512,810
December	$0.67	$0.50	1,924,722

The Company was listed on the AIM Market of the London Stock Exchange on January 25, 2005, and traded on AIM under the symbol "PWC". Trading on AIM was halted on March 31, 2006 and resumed on September 25, 2006. Effective October 4, 2006, the trading symbol changed to "CEO" to reflect the Company's name change. The average monthly trading price and monthly trading volume for the Company's common shares on AIM in the 12 months ended December 31, 2006 are as follows:

Month	High (£)	Low (£)	Trading Volume
January	£0.40	£0.37	130,204
February	£0.37	£0.32	149,570
March	£0.32	£0.27	67,537
April	Halted	Halted	Halted
May	Halted	Halted	Halted
June	Halted	Halted	Halted
July	Halted	Halted	Halted
August	Halted	Halted	Halted
September	Halted	Halted	Halted
October	£0.31	£0.25	56,000
November	£0.30	£0.23	1,772,962
December	£0.30	£0.24	121,645

Item 7 Escrowed Securities

As part of the NuCoastal Acquisition and PH Gas Acquisition, discussed in Item 2.3 above, 188,082,885 common shares were initially placed in escrow. As of December 31, 2006 the common shares held in escrow were 141,062,163, which is 45.88% of the total common shares issued and outstanding. These shares are held in escrow with Pacific Corporate Trust Company. Under the terms of the share exchange agreements, these shares are to be released from escrow on the following dates:

September 25, 2006	47,020,722 shares	Released on schedule
March 25, 2007	47,020,722 shares	Released on schedule
September 25, 2007	47,020,721 shares	
March 25, 2008	47,020,720 shares	

Item 8 Directors and Officers

8.1 Name, Occupation and Security Holding

The following information is provided for each director and executive officer of the Company as of the date of the Annual information Form.

Directors

Name and Municipality of Residence	Date of Appointment	Principle Occupation for Past Five Years
C. Robert Black (1) (4) Horseshoe Bay, Texas, USA	September 25, 2006	Retired in May 1999; prior thereto, senior executive with Texaco, Inc.
Bernard de Combret (2) (3) Geneva, Switzerland	September 25, 2006	International consultant in 2002; prior thereto, Deputy Chairman of Total Fina Elf S.A.
Olivier de Montal (2) Paris, France	September 25, 2006	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 Development
Frank A. Inouye (4) Surrey, United Kingdom	October 13, 2004	Director, Chief Executive Officer and President of the Company; Prior to May 2005, Managing Director of Deltaic Systems Limited
John Murphy (3) (4) (5) Dallas, Texas, USA	September 25, 2006	Retired in 2000 as Chairman of the Board, Dresser Industries Inc.; prior thereto, Managing Director of SMG Management LLC, a privately owned investment group
Lloyd Barnaby Smith (2) Richmond, United Kingdom	September 25, 2006	United Kingdom ambassador to Thailand from February 2000 to July 2003

Name and Municipality of Residence	Date of Appointment	Principle Occupation for Past Five Years
Albert Whitehead [4] Tulsa, Oklahoma, USA	October 13, 2004	Non-Executive Chairman of the Board of Coastal; Director, Chairman and Chief Executive Officer of Empire Petroleum Corporation
Forrest Wylie [1] [4] Houston Texas, USA	September 25, 2006	Vice Chairman of Pacific Energy Partners LP; President and Chief Financial Officer of NuCoastal May 2002 to March 2005; prior thereto, Senior Vice President of Natural Gas Trading for both Coastal Corporation and its successor El Paso Merchant Energy, L.P.
John Zaozirny [1] [3] Calgary, Alberta, Canada	June 28, 2005	Counsel to the law firm of McCarthy Tetrault LLP and Vice-Chairman of Canaccord Capital Corporation

Notes:
(1) Member of the Audit Committee of Coastal's board
(2) Member of the Compensation Committee of Coastal's board
(3) Member of the Corporate Governance & Nominating Committee of Coastal's board
(4) Member of the Executive Committee of Coastal's board
(5) Mr. Murphy is a director of W.R. Grace & Co., which filed for protection under Chapter 11 of the United States Bankruptcy Code in April 2001 due to continuing losses related to asbestos claims

The directors of the Company are elected at the annual general meeting of the Shareholders, subject to the right of the Board 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 on the Company by ordinary resolution of its Shareholders. Directors hold office until their successor in office are duly elected or appointed, until they are removed by ordinary resolution or until they resign.

Executive Officers

Name and Municipality of Residence	Office	Date of Appointment	Principle Occupation for Past 5 Years
Frank A. Inouye Surrey, United Kingdom	Chief Executive Officer & President	May 1, 2005	Director, Chief Executive Officer and President of the Company; Prior to May 2005, Managing Director of Deltaic Systems Limited
William C. Phelps[1] Houston, Texas, USA	Chief Financial Officer	September 25, 2006	Chief Financial Officer of the Company; prior thereto, Chief Financial Officer of NuCoastal Corporation.
Stephen M. Holder Spring, Texas, USA	VP, Controller	November 17, 2006	Division Finance Manager for General Electric Company
Kimberly R. Landon Houston, Texas, USA	Secretary	March 5, 2007	Legal Counsel
Morris "Truman" Arnold[2] Houston, Texas, USA	VP, Assistant Secretary	November 16, 2006	Senior Executive with NuCoastal Corporation

Notes:
(1) Mr. Phelps also holds an executive office with NuCoastal Corporation,. However, this office is not considered his principal occupation.
(2) Mr. Arnold receives no compensation from the Company and therefore, his position with the Company is not considered his principal occupation.

As at June 15, 2007, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 17,350,002 ordinary shares, representing approximately 5.6% of the Company's 307,432,888 issued and outstanding ordinary shares.

As part of the Reverse Takeover, discussed in Item 2.3 above, the ordinary shares issued to Mr. Wyatt which aggregate 155,078,323 or approximately 50.44% are subject to the Voting Agreement and the voting rights attached thereto are exercised by seven (7) outside directors (the "Attorneys"). The seven Attorneys will continue to exercise Mr. Wyatt's voting rights under the Voting Agreement even if they cease to serve as directors of the Company.

8.2 Conflicts of Interest

Please see the discussion at Item 10 with respect to potential conflicts of interest.

Item 9 Legal Proceedings

Neither the Company nor its properties are subject to any legal proceedings, nor are any such proceedings known by the Company to be contemplated.

Item 10 Interest of Management and Others in Material Transactions

Albert Whitehead is the Chairman and Chief Executive Officer of Empire Petroleum Corporation ("Empire"), which is the temporary operator of the Nevada lease. Empire also holds a 40% working interest in this property. The Company does not regard this as giving rise to any material conflicts of interest with the Company.

As discussed in Item 2.3 above, the Company issued 151,663,323 shares of common stock to Oscar S. Wyatt, Jr. in consideration for all the issued and outstanding shares of NuCoastal. The Company issued an additional 3,415,000 shares of common stock to Mr. Wyatt in consideration of funds advanced to APICO. These total shares represent 50.44% of the issued and outstanding shares of the Company. As discussed in Item 7 above, the initial shares were placed in escrow and are subject to the Voting Agreement, discussed in item 8 above.

On November 30, 2006, Mr. Wyatt transferred 20,000,000 shares to Thailand Venture, LP, a limited partnership in which Mr. Wyatt is a general partner and holds a 50% interest. Forrest Wylie, a Company director, and William Phelps, a Company officer, each hold 25% interest in the partnership. The transferred shares, representing approximately 13% of the common shares of the Company, are subject to the escrow agreement described in Item 7 above and the Voting Agreement described in Item 8 above.

As discussed in item 2.3 above, the Company issued 36,419,562 shares of common stock to PHG in consideration for its 10.63% share of APICO. The Company issued an additional 4,726,000 shares of common stock to PHG in consideration of funds advanced to APICO. These total shares represent 13.38% of the issued and outstanding shares of the Company. As discussed in Item 7 above, the initial shares were placed in escrow.

Item 11 Transfer Agents and Registrars

The registrar and transfer agent for the Company's common shares in Canada is
Pacific Corporate Trust Corporation
3rd Floor, 510 Burrard Street
Vancouver, BC V6C 3B9

The registrar and transfer agent for the Company's common shares in the United Kingdom is
Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent, BR3 4TU, United Kingdom.

Item 12 Material Contracts

Except for contracts entered into by the Company in the ordinary course of business or otherwise disclosed herein, the Company has no contracts which can reasonably be regarded as material.

Item 13 Interests of Experts

The Huddleston Report was prepared by John P. Krawtz, Registered Professional Engineer in the State of Texas. To the Company's knowledge, Mr. Krawtz has no registered or beneficial interests, direct or indirect, in any securities or other property of the Company

The Petrotech Report was prepared by John Yu, Professional Engineer in the Province of British Columbia. To the Company's knowledge, Mr. Yu has no registered or beneficial interests, direct or indirect, in any securities or other property of the Company.

Deloitte & Touche LLP has prepared the auditor's report on the consolidated financial statements of the Company for the year ended December 31, 2006. Deloitte & Touche LLP is independent in accordance with the auditor's rules of professional conduct in Canada.

Item 14 Audit Committee Information

Under Multilateral Instrument 52-110 "*Audit Committees*" (MI 52-110"), the Company is required to include in its AIF the disclosure required under Form 52-110F2 with respect to its Audit Committee, including the text of its Audit Committee mandate, the composition of the Audit Committee and the fees paid to the external auditor. Accordingly, the Company provides the following disclosure with respect to its audit committee**.**

Audit Committee Mandate

A copy of the Company's Audit Committee mandate, in full, is attached as Appendix D.

Composition of Audit Committee

The Company's Audit Committee is comprised of C. Robert Black, Forrest Wylie and John Zaozirny, all of whom are financially literate, as such term is defined in MI 52-110. Mr. Black, Mr. Wylie and Mr. Zaozirny are independent, as such term is defined in MI 52-110. The Audit Committee is chaired by Mr. Zaozirny.

Relevant Education and Experience

C. Robert Black (Age 72)

C. Robert Black is a non-executive director of the Company. 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.

Forrest Wylie (Age 44)

Forrest E. Wylie is a non-executive director of the Company. He was elected Vice Chairman of Pacific Energy Partners LP board of directors in March 2005. 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 Zaozirny (Age 59)

John Zaozirny is a non-executive director of the Company. He 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.

The Company's Audit Committee mandate requires the Audit Committee to pre-approve all non-audit engagements to be provided by the Company's external auditor.

As an issuer listed on the TSX Venture Exchange, the Company is exempt from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of MI 52-110 and relies upon the exemption contained in section 6.1 of that instrument.

External Audit Fees by Category

Deloitte & Touche LLP has served as the Company's external auditor since November 30, 2004. The following table lists the audit fees paid to Deloitte & Touche LLP, by category, for the fiscal years ending December 31, 2005 and 2006:

($ thousands)	2006	2005
Audit Fees	394	35
Audit-Related Fees	587	19
Tax Fees	1	
All Other Fees	30	
Total	**1,012**	**54**

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's annual financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Company's interim financial statements.

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual and interim financial statements and are not reported under the audit fees item above.

Item 15 Recent Developments

Gas production in the Phu Horm field, onshore Thailand, was averaging between 90 and 100 mmcf/d at the end of the first quarter. The Company's 12.6% net interest in this field is held indirectly though the Company's interest in Apico. Drilling and testing of two development wells, PH-6 and PH-7 on the Phu Horm gas field has been completed in the second quarter with both wells being suspended. PH-6 and PH-7 were directionally drilled from the PH-4 production well location and were expected to be completed as support wells. The PH-10 development well was spudded in the second quarter.

Testing of the Cobble Cuesta 1-12 exploratory well in Nevada was completed in the second quarter with no hydrocarbons being recovered. The Company is currently evaluating the results of the tests run on this well.

The Company acquired a mat based jack up rig ("Ocean 66") in April 2007. Refurbishment of the Ocean 66 and conversion into a re-usable multi-purpose platform to accommodate production facilities, drilling operations and tender assist operations is anticipated to take six months. Once completed, the rig will be relocated to the Gulf of Thailand to be utilized initially in the development of the Bua Ban oilfield.

Item 16 Additional Information

Additional information, including directors' and officers' remuneration, principal holders of the Company's securities and securities authorized for issue under equity compensation plans, is contained in the Company's management information circular dated as of July 25, 2006. Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the year ended December 31, 2006.

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Appendix A – Report on Reserves Data by Independent Qualified Reserve Evaluator

FORM 51-101 F2
REPORT ON RESERVES DATA BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR

To the board of directors of Coastal Energy Company (the "Company"):

1. We have evaluated the Company's reserves data as at December 31, 2006. The reserves data consist of the following:

   (a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2006 using forecast prices and costs; and

   (ii) the related estimated net revenue, and

   (b) (i) proved oil and gas reserves estimated as at December 31, 2006 using constant prices and costs; and

   (ii) the related estimated net revenue.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year-ended December 31, 2006, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

FORM 51-101 F2
REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR
Page Two

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves	Net Resent Value of Future Net Revenue (before income taxes, 10% discount rate) Evaluated Total[1]
Huddleston & Co., Inc.	Coastal Energy Company in the Offshore Block G5-43 and in the Onshore Blocks EN5/EU1, Thailand, December 31, 2006	Thailand Thailand	$416,656,000 US <u>$117,172,000 US</u> $533,828,000 US

'This amount should be the amount disclosed by the reporting issuer in its statement of reserves data filed under item 1 of section 2.1 of NI 51-101, as its future net revenue (before deducting future income tax expenses) attributable to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent (required by section 2 of Item 2.2 of Form 51-101Fl).

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on the reserves data that we reviewed but did not evaluate.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

(signed John P Krawtz)
John P Krawtz, P.E.
Huddleston & Co., Inc.
Houston, Texas, USA
April 11, 2007

Appendix B – Report of Management and Directors on Reserves Data and Other Information

Management of Coastal Energy Company (the "**Company**") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which consist of the following:

(a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2006 using forecast prices and costs; and

(ii) the related estimated future net revenue; and

(b) (i) proved oil and gas reserves estimated as at December 31, 2006 using constant prices and costs; and

(ii) the related estimated future net revenue.

An independent qualified reserves evaluator has evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved

(a) the content and filing with securities regulatory authorities of the reserves data and other oil and gas information;

(b) the filing of the report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

April 12, 2007

(signed) Frank A. Inouye
Chief Executive Officer

(signed) William C. Phelps
Chief Financial Officer

(signed) Albert E. Whitehead
Director

(signed) Forrest E. Wylie
Director

Appendix C – National Instrument 51-101 Equity Investment Disclosure

The following is a summary of Apico's reserves and future net revenue as of December 31, 2006 and the costs incurred by Apico during the year ended December 31, 2006 multiplied by 36.1 percent, being Coastal's equity interest in Apico as of December 31, 2006. Apico's reserves were independently evaluated by Huddleston & Co., Inc. The evaluation was prepared by Huddleston & Co., Inc. in accordance with standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101. The pricing used in the forecast and constant price evaluations is set forth in the notes to the tables. All of the reserves assigned to Apico are located in on-shore Thailand.

The information contained in this APPENDIX C has been derived by Huddleston & Co., Inc. solely at the request of Coastal.

Coastal accounts for its investment in Apico using the equity method of accounting. As a result, pursuant to NI 51-101, Coastal is required to disclose the following information separately from its own reserves data and other oil and gas information.

Onshore Reserves Data – Constant Prices and Costs

The following table summarizes the reserves evaluated at December 31, 2006 using constant prices and costs.

	Light and Medium Crude Oil		Natural Gas		Natural Gas Liquids		Totals	
Reserve Category	**Gross** (Mbbl)	**Net** (Mbbl)	**Gross** (Bcf)	**Net** (Bcf)	**Gross** (Mbbl)	**Net** (Mbbl)	**Gross** (Mboe)	**Net** (Mboe)
Proved:								
Developed Producing	-	-	44.1	4.9	206	23	7,556	833
Undeveloped	-	-	367.3	40.5	1,715	189	62,934	6,938
Total Proved	-	-	411.4	45.4	1,921	212	70,490	7,772
Total Probable	-	-	460.4	50.8	2,150	237	78,883	8,697
Total Proved Plus Probable	-	-	871.8	96.1	4,071	449	149,374	16,468

Onshore Net Present Value of Future Net Revenues - Constant Prices and Costs

The following table summarizes the net present value of future net revenues attributable to reserves evaluated at December 31, 2006 for the constant prices and costs case. The net present values are reported before income tax and income tax and have been discounted using rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent.

	Net Present Value of Future Net Revenue, $ Millions									
	Before Income Taxes, Discounted at					After Income Taxes, Discounted at				
Reserves Category	**0%**	**5%**	**10%**	**15%**	**20%**	**0%**	**5%**	**10%**	**15%**	**20%**
Proved										
Developed Producing	22.0	17.4	14.1	11.7	9.9	10.8	8.8	7.3	6.2	5.4
Undeveloped	164.7	116.3	84.8	63.8	49.5	81.4	58.9	43.8	33.6	26.5
Total Proved	186.7	133.7	98.9	75.5	59.4	92.2	67.7	51.1	39.8	31.9
Total Probable	246.7	98.1	40.3	17.2	7.5	123.4	50.2	21.2	9.2	4.1
Total Proved Plus Probable	433.4	231.8	139.2	92.7	66.9	215.6	117.9	72.3	49.0	36.0

Onshore Future Net Revenue – Constant Prices and Costs

The following table summarizes the total undiscounted future net revenue evaluated at December 31, 2006 using constant prices and costs.

Reserve Category ($ millions)	Revenues	Royalties	Operating Costs	Development Costs	Well Abandonment Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Proved	268.7	33.6	16.6	29.6	2.3	186.7	94.5	92.2
Proved Plus Probable	569.4	71.2	32.9	29.6	2.3	433.4	217.8	215.6

Onshore Future Net Revenue by Production Group – Constant Prices and Costs

The following table summarizes the net present value of future net revenue by production group evaluated at December 31, 2006 using constant prices and costs, discounted at 10 percent.

Reserve Category	Production Group	Future Net Revenue Before Income Taxes (discounted at 10%) ($ millions)
Proved	Natural Gas and Condensate	98.9
Proved Plus Probable	Natural Gas and Condensate	139.2

Onshore Reserves Data – Forecast Prices and Costs

The following table summarizes the reserves evaluated at December 31, 2006 using forecast prices and costs.

	Light and Medium Crude Oil		Natural Gas		Natural Gas Liquids		Totals	
Reserve Category	Gross (Mbbl)	Net (Mbbl)	Gross (Bcf)	Net (Bcf)	Gross (Mbbl)	Net (Mbbl)	Gross (Mboe)	Net (Mboe)
Proved:								
Developed Producing	-	-	44.1	4.9	206	23	7,556	833
Undeveloped	-	-	367.3	40.5	1,715	189	62,934	6,938
Total Proved	-	-	411.4	45.4	1,921	212	70,490	7,772
Total Probable	-	-	460.4	50.8	2,150	237	78,883	8,697
Total Proved Plus Probable	-	-	871.8	96.1	4,071	449	149,374	16,468

Onshore Net Present Value of Future Net Revenues - Forecast Prices and Costs

The following table summarizes the net present value of future net revenues attributable to reserves evaluated at December 31, 2006 for the forecast prices and costs case. The net present values are reported before income tax and income tax and have been discounted using rates of 0 percent, 5 percent, 10 percent, 15 percent and 20 percent.

	Net Present Value of Future Net Revenue, $ Millions									
	Before Income Taxes, Discounted at					After Income Taxes, Discounted at				
Reserves Category	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
Proved										
Developed Producing	18.2	14.5	11.9	9.9	8.5	8.8	7.3	6.1	5.3	4.6
Undeveloped	130.3	91.8	66.7	50.1	38.8	63.9	46.1	34.2	26.1	20.6
Total Proved	148.5	106.3	78.6	60.0	47.3	72.7	53.4	40.3	31.4	25.2
Total Probable	242.0	94.9	38.6	16.2	7.1	121.0	48.6	20.2	8.7	3.9
Total Proved Plus Probable	390.5	201.2	117.2	76.2	54.4	193.7	102.0	60.5	40.1	29.1

Onshore Future Net Revenue – Forecast Prices and Costs

The following table summarizes the total undiscounted future net revenue evaluated at December 31, 2006 using forecast prices and costs.

Reserve Category ($ millions)	Revenues	Royalties	Operating Costs	Development Costs	Well Abandonment Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Proved	228.1	28.5	16.7	31.3	3.0	148.5	75.8	72.8
Proved Plus Probable	525.0	65.6	34.5	31.3	3.0	390.5	196.8	193.7

Onshore Future Net Revenue by Production Group – Forecast Prices and Costs

The following table summarizes the net present value of future net revenue by production group evaluated at December 31, 2006 using forecast prices and costs, discounted at 10 percent.

Reserve Category	Production Group	**Future Net Revenue Before Income Taxes** (discounted at 10%) ($ millions)
Proved	Natural gas and Condensate	78.6
Proved Plus Probable	Natural gas and Condensate	117,2

Summary of Pricing and Inflation Rate Assumptions

Summaries of the December 31, 2006 pricing and inflation rate assumptions used in the evaluation by Huddleston are as follows:

Constant Prices and Costs

WTI Spot Oil Price ($/bbl)	**Brent Spot Oil Price** ($/bbl)	**Actual NWS Price** ($/bbl)	**Thailand Onshore Crude Oil Price** ($/bbl)	**Spot HSFO 108 CST** ($/bbl)	**Thailand Onshore Gas Price** [1] ($/Mcf)
60.85	58.96	57.71	55.00	46.27	4.93

Note 1 – Onshore gas prices have been adjusted by a BTU factor of 986 Btu/scf and are shown as $/Mcf

Forecast Prices and Costs

Pd	**Year**	**WTI Spot Oil Price** ($/bbl)	**Brent Spot Oil Price** ($/bbl)	**Estimated NWS Price** ($/bbl)	**Thailand Onshore Crude Oil Price** ($/bbl)	**Spot HSFO 108 CST** ($/bbl)	**Thailand Onshore Gas Price** [1] ($/Mcf)	**Inflation Rate** (%/year)
1	2007	62.00	60.50	55.74	53.12	42.12	4.58	2%
2	2008	60.00	58.50	53.74	51.21	40.12	4.42	2%
3	2009	58.00	56.50	51.74	49.31	38.12	4.25	2%
4	2010	57.00	55.50	50.74	48.36	37.12	4.17	2%
5	2011	57.00	55.50	50.74	48.36	37.12	4.17	2%
6	2012	57.50	56.00	51.24	48.83	37.62	4.21	2%
7	2013	58.50	57.00	52.24	49.78	38.62	3.83	2%
8	2014	59.75	58.25	53.49	50.98	39.87	3.92	2%
9	2015	61.00	59.50	54.74	52.17	41.12	4.01	2%
10	2016	62.25	60.75	55.90	53.36	42.37	4.11	2%
11	2017	63.50	62.00	57.24	54.55	43.62	4.12	2%
	Thereafter	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	2%

Note 1 – Onshore gas prices have been adjusted by a BTU factor of 986 Btu/scf and are shown as $/Mcf

Appendix D – Audit Committee Mandate

Coastal Energy Company (the "Company")
AUDIT COMMITTEE (the "Committee")
Terms of Reference

1. Constitution

The Committee was constituted at a full meeting of the board of directors (the "**Board**") held on 31 January 2007 in accordance with the Articles of Association of the Company. These Terms of Reference were also adopted by the Board on 31 January 2007

2. Purpose

2.1 The purposes of the Committee are:

2.1.1 to give the Board critical and independent advice on the integrity of the Company's financial statements and to provide a forum at which any shareholder of the Company or other interested person, such as the Company's auditors, can discuss financial matters concerning the Company;

2.1.2 to be available on an ad hoc basis to consider and resolve any financial problems relating to the Company raised by individual shareholders;

2.1.3 to ensure that a thorough and detailed review is carried out by independent non-executive directors of audit matters before approval by the Board; and

2.1.4 to investigate audit matters with full access to information and the resources to do so.

2.2 Should disagreements arise between the Board and the Company's auditors, the Committee is not the final arbiter and will act merely as a forum to facilitate discussion between these two bodies.

3. Authority

3.1 The Committee is authorized by the Board to investigate and undertake any activity within these Terms of Reference. It is authorized to seek any information it requires from any employee or director of the Company or of any of its subsidiary companies, and all such employees or directors will be directed to co-operate with any request made by the Committee.

3.2 If the Committee considers it necessary so to do, it is authorized by the Board to obtain external legal or other independent professional advice to assist it in the performance of its duties, to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend meetings of the Committee. The cost of obtaining any advice or service will be paid by the Company within the limits authorized by the Board. The chairman of the Board will be informed before any external advice or service is sought and consulted about the Committee's proposals relating thereto.

4. Composition

4.1 The members of the Committee shall be appointed by the Board, on the recommendation of the Corporate Governance and Nominating Committee, in consultation with the chairman of the Corporate Governance and Nominating Committee. The Committee shall consist exclusively of independent non-executive directors of the Company (for this purpose an independent non-executive director is one who neither has involvement in the day to day running of the Company nor holds an executive appointment with another company on which one of the other directors is also an executive director of the Company).

4.2 The Committee shall be comprised of not less than three (3) members appointed by the Board from time to time and at least one member shall have specialist financial knowledge. The remaining members should be committed, trained, skilled and with sufficient understanding of the issues to be dealt with.

4.3 The chairman of the Committee will be appointed by the Board.

4.4 The chairman and/or chief executive officer of the Company shall when appropriate be invited to attend meetings in order to make proposals as necessary.

4.5 The Committee may invite other individuals such as the finance director and head of internal audit (if any such, or similar, appointments exist) to attend all or part of any meeting as and when appropriate.

4.6 Appointments to the Committee shall be for a period of up to three (3) years, which may be extended for two (2) further three-year periods, provided the members of the Committee remain independent non-executive directors.

4.7 The Company secretary shall be the secretary of the Committee, provided such person is not a member of the Company's finance staff.

5. Meetings and Voting

5.1 The Committee shall meet at least four (4) times each year at locations agreed by the members of the Committee and in conjunction with the Company's external auditors to approve the interim and annual accounts.

5.2 The Company's external auditors, the chief executive or the finance director may at any time request a meeting of the Committee if they consider it necessary to do so. If the external auditors request a meeting, the meeting should be held without the executive Board members present.

5.3 The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5.4 Except as provided at paragraph 5.6, any director of the Company has the right to attend and speak but not vote at any meeting of the Committee.

5.5 Each member of the Committee has one vote on all matters to be determined by the Committee. In the event of a deadlock the chairman of the Committee has the casting vote.

5.6 No executive director of the Company may be present at a meeting of the committee in which such executive director has a direct personal interest in the matter or matters being discussed.

6. Duties

6.1 The Committee shall monitor the integrity of the financial statements of the Company, including reviewing its annual and interim reports, the associated management's discussion & analysis ("MD&A"), preliminary results and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain and:

6.1.1 For interim financial statements and associated MD&A, and any results or other formal announcement related to the interim reports, the Committee has been empowered to act on behalf of the full Board of Directors and the Committee Chairman shall sign as approving the interim financial statements on behalf of the Chairman of the Board of Directors.

6.1.2 For Annual financial statements, the Committee shall make recommendations on all related documents to the Board of Directors when appropriate for the Board's approval.

6.1.3 The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

6.2 The Committee shall review and challenge where necessary:

6.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and its subsidiary companies;

6.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

6.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;

6.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and

6.2.5 all material information presented with the financial statements, such as the business review and any corporate governance statement (insofar as it relates to the audit and risk management).

6.3 The Committee shall:

6.3.1 keep under review the effectiveness of the Company's internal controls and risk management systems; and

6.3.2 review and approve the statements to be included in the annual report concerning internal controls and risk management.

6.4 The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

6.5 The Committee shall:

6.5.1 consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

6.5.2 oversee the relationship with the external auditor including but not limited to:

(a) approval of their remuneration, whether fees for audit or nonaudit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;

(b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

(c) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

(d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company, other than in the ordinary course of business;

(e) agreeing with the board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;

(f) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

(g) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process;

6.5.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage;

6.5.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

6.5.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

(a) a discussion of any major issues which arose during the audit;

(b) any accounting and audit judgments; and

(c) levels of errors identified during the audit;

6.5.6 review any representation letter(s) requested by the external auditor before they are signed by management;

6.5.7 review the management letter and management's response to the auditor's findings and recommendations; and

6.5.8 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

6.6 The Committee shall:

6.6.1 give due consideration to applicable laws and regulations, the provisions of the Combined Code, the QCA Corporate Governance Guidelines for AIM companies, the requirements of the London Stock Exchange's rules for AIM companies and the requirements of the Toronto Stock Exchange for TSX-V companies; and

6.6.2 oversee any investigation of activities which are within these Terms of Reference and act as a court of the last resort.

7. Reporting

7.1 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no late than seven (7) days before the date of the meeting. Any supporting papers shall be sent to each attendee as appropriate, at the same time.

7.2 The chairman of the Committee shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities.

7.3 The secretary shall minute the proceedings and resolutions of all Committee meetings, including the name of those present and in attendance.

7.4 Minutes of the Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

7.5 The Committee shall produce an annual report of its activities, which will form part of the Company's annual report and ensure each year that it is put to the shareholders for approval at the annual general meeting.

8. Other

8.1 The Committee shall, at least once a year, review its own performance, constitution and these Terms of Reference to ensure that it is operating at maximum effectiveness and shall recommend any changes it considers necessary to the Board for approval.

8.2 The recommendations of the Committee minutes must be approved by the Board before they can be implemented.

8.3 These Terms of Reference may be amended or modified by the Board.