COASTAL ENERGY COMPANY

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2007

Dated April 28, 2008

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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 tons of oil equivalent
bopd	barrels of oil per day		
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
Barrel	a volume equivalent to 158.9874 liters (US 42 gallons) at a temperature of 15.56 degrees centigrade (60 degrees Fahrenheit) and at one atmosphere of pressure
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
km^2	square kilometers
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-Dimensional seismic reflection data acquired in accordance with a predefined program and measured in line kilometres

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

2P Proved + Probable

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

3P	Proved + Probable + Possible
Anticline	a geological structure consisting of convex folded rocks
Appraisal wells	wells drilled after successful exploration wells to gain further information on newly discovered oil or gas reserves
Carbonate reservoir	sedimentary rocks such as limestone that are composed primarily of carbonate minerals that have the ability to contain and hold hydrocarbons
Condensate	light hydrocarbons that are gaseous subsurface, but condense 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
Production assets	assets that are producing oil and/or gas in commercial quantities
Royalties	a payment to the government or others, usually expressed as a percentage of total hydrocarbon production
Secondary reservoir	a rock formation that is considered to contain hydrocarbons but in quantities less than the main producing reservoir
Tertiary basin	a geological basin of tertiary age
Unitization	the process by which a hydrocarbon field straddles several concessions is developed or produced under the co-operation of the various concessionaires

Reserve Definitions

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
Prospective resource	Those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations.
Proved reserves	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 reserves	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 reserves	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

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

Certain Definitions

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

"AIF"	this Annual Information Form
"AIM"	the Alternative Investment Market of the London Stock Exchange plc
"APICO"	Apico LLC and its subsidiaries. This entity is a United States limited liability company which holds certain working interests in onshore Thailand
"the Company"	Coastal Energy Company
"Concession"	an area of the surface and/or subsurface to which exploration rights have been granted by the relevant government authority
"Concessionaire"	an individual, company or other entity to which exploration or exploitation rights have been granted
"COGE Handbook"	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
"Consolidation"	Effective November 7, 2007 the Company transacted a reverse stock split of its common shares with a conversion ratio of one share for every four held. Unless otherwise stated, all references to the common shares of the Company prior to this date have been restated to give effect to this share consolidation
"Common shares"	the common shares of a nominal or par value of $0.04 in the capital of the Company
"Huddleston Report"	the report of Huddleston & Co., Inc. dated April 21, 2008, evaluating the crude oil, natural gas liquids and natural gas reserves of the Company as at December 31, 2007
"NI 51-101	National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities
"NuCoastal"	NuCoastal Thailand Limited, a company incorporated under the laws of Thailand
"PCA"	a Petroleum Concession Agreement granted by the Kingdom of Thailand Ministry of Energy under which a company may explore, develop and produce hydrocarbons
"Reverse Takeover"	the September 25, 2006 acquisition by The Company of all the outstanding stock of NuCoastal accounted for as a Reverse Takeover
"TSX-V"	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 dollars (US$), Canadian dollars (C$), and British pounds (£). Exchange rates on December 31, 2007 and April 28, 2008 were:

	December 31, 2007	April 28, 2008
US$1.00	C$0.9881	C$1.0160
US$1.00	£0.5041	£0.5023
C$1.00	US$1.0120	US$0.9843
C$1.00	£0.5102	£0.4944

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, 2007**.** 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.

On October 30, 2007, the shareholders of the Company approved a reduction in the authorized shares of the Company's common stock (the "Consolidation") through a reverse stock split with a conversion ratio of one share for every four held. The Company kept its stock symbol on the AIM exchange as "CEO;" however as a result of the share consolidation, the Company's trading symbol on the TSX-V changed to "CEN." The Consolidation and symbol change were effective on November 7, 2007. All information related to common shares in this AIF for the current and prior period has been restated to give effect to the Consolidation, unless otherwise stated.

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.

Item 1 Corporate Structure

1.1 Name, Address and Incorporation

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. 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$0.04 per share (each a "common share"). The common shares trade on the AIM under the trading symbol "CEO" and on the TSX-V under the trading symbol "CEN". The Company is a reporting issuer in each of the Provinces of British Columbia, Alberta and Ontario.

1.2 Inter-corporate Relationships

As of April 28, 2008, the Company directly owns the following five (5) wholly-owned subsidiaries:

- Coastal Energy Company Nevada - incorporated in the United States under the laws of the State of Nevada;
- Coastal Energy (UK) Company Limited - incorporated under the laws of the United Kingdom;
- NuCoastal (Thailand) Limited - incorporated under the laws of the Kingdom of Thailand;
- Coastal Energy Company (Khorat) Ltd. - incorporated under the laws of the Cayman Islands; and
- Ocean 66 Ltd. - incorporated under the laws of the Republic of Mauritius.

In addition, the Company indirectly owns 36.1% of APICO. APICO is owned by four (4) separate entities with the Company holding the largest ownership interest. The Company has one (1) of three (3) APICO Board of Director seats. Under Canadian GAAP, the Company accounts for this interest under the equity method of accounting as opposed to accounting for APICO using a pro rata consolidation.

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. The Company commenced operations as a public company on January 25, 2005. As of December 31, 2007, the Company had a market capitalization of $339 million; and as of April 28, 2008, the Company had a market capitalization of $410 million.

Due to the significance of the Reverse Takeover of NuCoastal by The Company, 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 The Company 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 The Company (prior to the Reverse Takeover)

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

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

On January 25, 2005, The Company began trading on AIM under the symbol "PWC." Concurrently, The Company completed its Initial Public Offering of 3 million shares of common stock and raised $2.2 million.

On April 15, 2005, The Company entered into a seismic option agreement with Cortez Exploration LLC to evaluate 44,604 acres of federal leases located in Gabbs Valley, Nevada, USA. See Item 3 “Description of Business – 3.3 Other None-Core Properties”.

On June 15, 2005, The Company 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 completion of 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, The Company 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 (all share amounts are pre-Consolidation), 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, The Company 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, The Company began trading on the TSX-V under the symbol “PWD”.

On March 30, 2006, The Company and NuCoastal entered into a letter of intent to merge both companies’ assets in Thailand, with The Company 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, The Company’s trading on AIM and TSX-V was halted. In view of the size of the NuCoastal acquisition in relation to The Company, 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:

- The Company acquired all of the issued and outstanding shares of NuCoastal in consideration for the issuance of 37,915,830 common shares of The Company, pursuant to the “Reverse Takeover”. The Company 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.
- The Company 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 9,104,890 common shares of the Company, 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 15,750,000 common shares of the Company at a price of $2.32 (C$2.60) per share, raising gross proceeds of approximately $35.8 million (C$40.0 million). Included within the 15,750,000 common shares, the Company issued 853,750 and 1,181,500 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 375,000 common shares at the same price upon exercise of the over-allotment option for gross proceeds of $0.9 million (C$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 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.

On July 3, 2007, the Company announced that it had secured $50 million of borrowing base credit facilities arranged by Sumitomo Mitsui Banking Corporation Europe Limited.

On September 21, 2007, the Company announced that the Phu Horm 10 ("PH-10") well had been successful drilled, tested and completed as a production support well in the Phu Horm gas field in northeast Thailand, producing approximately 10 mmcf/day.

On October 30, 2007, the shareholders of the Company approved a reduction of the Company's authorized common stock through a reverse stock split with a conversion ratio of one share for every four held (the "Consolidation"). This was effective on November 7, 2007 and resulted in the change of the Company's stock symbol on the TSX-V exchange to "CEN." The Company's stock symbol on the AIM exchange remains "CEO." The Company's ISIN number was changed to KY G224041189 to reflect this change.

On November 8, 2007, the Company announced that the Dong Mun 3 ("DM3") well had commenced drilling in Block L27/43 in Khorat Plateau, northeast Thailand. The Company has a 36.1% interest in this concession via its ownership in Apico, LLC.

On November 13, 2007, the Company announced that it had reached a definitive agreement with Swiber Offshore Drilling Pte Ltd, a contract driller, for a twelve month agreement to drill development wells in the Songkhla and Bua Ban oil fields and appraisal wells in the Ko Kra basin in the Gulf of Thailand.

On December 19, 2007, the Company was awarded PCA No. 9/2550/85 covering Block G5/50 in the Gulf of Thailand. This block filled an area within the northern part of the previously awarded Block G5/43 concession.

On January 8, 2008, the Company completed a public offering of 16,445,000 common shares (including the over-allotment option of 2,145,000 common shares) of the Company at a price of $3.50 (C$3.50) per common share, raising gross proceeds of $57.6 million (C$57.6 million). Proceeds of this offering, net of issuance costs of $3.1 million, were $54.5 million.

On February 4, 2008, the Company announced that the Dong Mun 3 ("DM3") well had completed drilling, reaching a total depth of 3,127 meters. This well is currently being evaluated. This well is located in Block L27/43 in Khorat Plateau, northeast Thailand. The Company has a 36.1% interest in this concession via its ownership in APICO.

On February 6, 2008, the Company announced changes to its senior management and Board of Directors. Mr. Albert Whitehead retired as Chairman of Coastal; Mr. Frank Inouye, Coastal's current President and Chief Executive Officer was appointed as the new Chairman; and Mr. Randy Bartley was appointed as President, Chief Executive Officer and a Director of the Company.

On February 18, 2008, the Company announced that the South Phu Horm-1 ("SPH1") well had commenced drilling to a targeted depth of 2,462 meters. This well is located in Block L15/43 in Khorat Plateau, northeast Thailand. The Company has a 36.1% interest in this concession via its ownership of APICO.

On February 26, 2008, the Company acquired a 24,000 ton tanker ship for $8 million to be used as a floating storage and off-loading unit in connection with the development of the Company's Gulf of Thailand properties. The Company immediately commenced the refurbishment and retrofitting process.

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 oil and gas properties and assets consists of the following ownerships interests in petroleum concessions awarded by the Kingdom of Thailand:

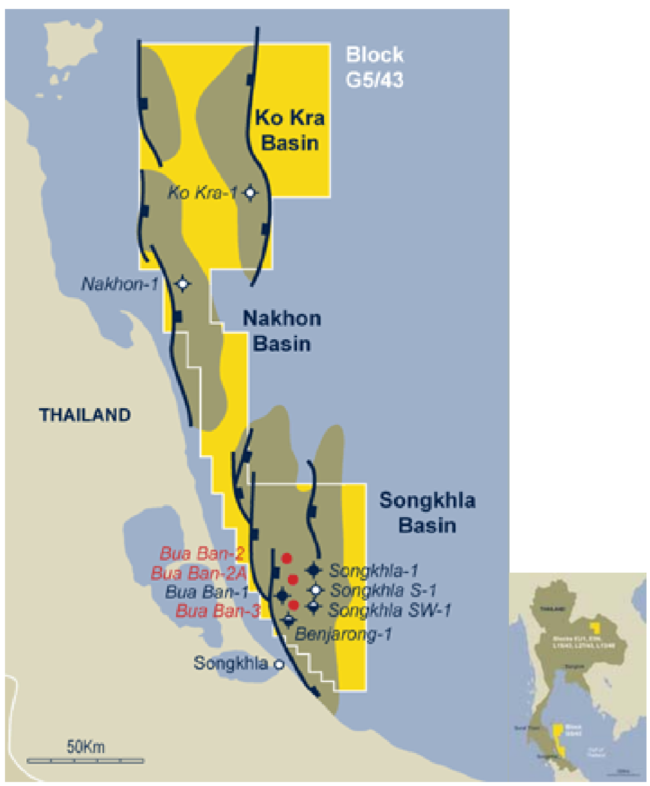
Petroleum Concession	**Coastal**
Offshore Thailand	
Block G5/43 in the Gulf of Thailand	100.0%
Block G5/50 in the Gulf of Thailand (within the boundaries of Block G5/43)	100.0%
Onshore Thailand (via the Company's 36.1% ownership of APICO)	
Block EU-1 and E-5N containing the Phu Horm gas field	12.6%
Block L15/43 (surrounding the Phu Horm gas field)	36.1%
Block L27/43 (southeast of the Phu Horm gas field)	36.1%
Block L13/48 (immediately east of the Phu Horm gas field)	21.7%

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, 2007, the Company had offices in George Town, Cayman Islands; Bangkok, Thailand; Houston, Texas, USA; and Guilford, England. The total number of employees was twenty-four (24) at year end.

3.2 Thailand Properties

(a) Offshore Thailand Properties



Block G5/43 – under PCA No. 7/2546/64

NuCoastal acquired 100% working interest in Block G5/43 in the Gulf of Thailand via PCA No. 7/2546/64 dated July 17, 2003. Pursuant to the Farm-out Agreement dated June 15, 2005, The Company 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 8,500 square kilometers off the east coast of Thailand and covers four tertiary basins. Water depths in Block G5/43 range up to 30 meters. Under the terms of the Concession, the Company relinquished approximately 8,600 square kilometers of G5/43 back to the Kingdom of Thailand in July 2007. Company management used available seismic and technical data to determine the less prospective acreage which was relinquished. As a result, under full cost accounting, the Company incurred no financial impact related to this relinquishment.

Three successful wells were drilled by NuCoastal and The Company on the Bua Ban oil field ("Bua Ban") in August 2005 which confirmed the existence of oil reserves. The three well program encountered the Lower Oligocene reservoir with estimated net pay ranging from 66-77 feet and a confirmed oil column of 577-724 feet. As of December 31, 2007, Bua Ban has 2P oil reserves of 19.2 mmbbls. The Songkhla oil field, which is smaller than Bua Ban, was discovered in 1989 and originally tested 1,500 barrels of production per day. As of December 31, 2007, it has 2P reserves of approximately 4.5 mmbbls. As part of a fast track development plan, environmental impact assessment and production area applications are currently being prepared for both the Songkhla and Bua Ban fields. The Company has commenced contracting services for the Songkhla development and expects to be in production by the end of 2008.

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. The Company has commenced fabrication of the offshore platform facilities and executed a 12 month agreement with a drilling company to drill development wells in Songkhla and Bua Ban oil fields and appraisal wells in the Ko Kra basin to the north.

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:

G5/43 PCA Expenditure Obligations

First Obligation Period (for three years):

First Year (2003-04)	Seismic reprocessing	US$ 125,000
	Geological studies	US$ 150,000
Second Year (2004-05)	Geological studies	US$ 150,000
	Drill two wells	US$1,500,000
Third Year (2005-06)	Geological studies	US$ 100,000
Total		US$2,025,000

Second Obligation Period (for three years): (2006-09)

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 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.

Block G5/50 – under PCA No. 9/2550/85

Coastal acquired 100% working interest in Block G5/50 in the Gulf of Thailand via PCA No. 9/2550/85 dated December 19, 2007. Block G5/50 encompasses an area of approximately 554 square kilometers off the east coast of Thailand within the Company's Block G5/43. Water depths in Block G5/50 range up to 30 meters.

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:

G5/50 PCA Expenditure Obligations

First Obligation Period (for three years):

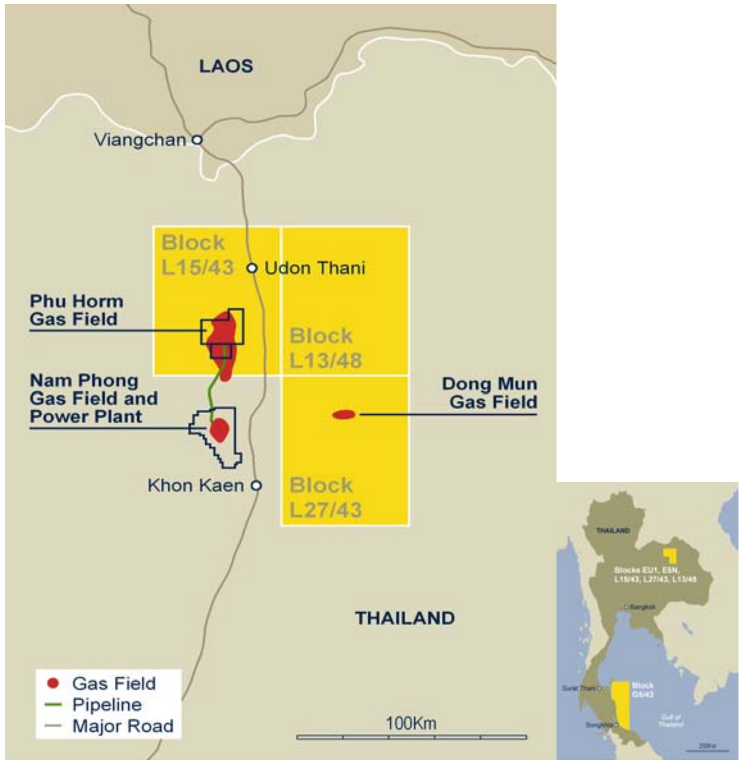
First Year (2008)	Seismic reprocessing	US$ 25,000
	Geological studies	US$ 250,000
	Incidental costs	US$ 100,000
Second Year (2009)	Geological studies	US$ 250,000
	2-D seismic survey	US$ 500,000
	Incidental costs	US$ 100,000
Third Year (2010)	Geological studies	US$ 100,000
	Drill one well	US$2,500,000
	Incidental costs	US$ 100,000
Total		US$4,075,000

Second Obligation Period (for three years): (2011-13)

Geological studies	US$ 500,000
3-D seismic survey, processing	US$1,750,000
Incidental costs	US$ 200,000
Total	US$2,450,000

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 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.

(b) Onshore Thailand Properties



Upon closing of the Reverse Takeover and the PH Gas Acquisition, the Company now holds a consolidated interest in APICO of 36.1%. The below net interest figures are a result of the Company's ownership in APICO.

Blocks EU-1 and E5-N

The Company holds a 12.6% 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 Phu Horm. The other partners in the field include Hess Corporation (Operator - 35%), PTTEP (20%) and ExxonMobil (10%). Four wells (PH-3, 4, 5 & 10) at Phu Horm were collectively delivering in excess of 95 mmcf/d to Nam Phong as of March 31, 2008. The field was also producing in excess of 500 bbls of condensate per day.

Three development wells were drilled in the Phu Horn gas field during 2007. PH-6 and PH-7 were directionally drilled from the PH-4 pad and were expected to be completed as support wells. The PH-6 well was drilled to a total depth of 2,468 meters sub-sea and encountered the primary reservoir, the Pha Nok Khao ("PNK"), at 1,864 meters sub-sea. The well was drilled under-balanced through the main reservoir section and flowed up to 3 mmcf/day while drilling and flow tested at a rate of 1.1 mmcf/day. Although the reservoir is gas bearing, further evaluation is required in order to confirm the reason for the low flow rates which could be due to formation damage while drilling or low porosity and permeability. The PH-7 well encountered the PNK reservoir at 2,024 meters sub-sea, approximately 105 meters lower than anticipated. Preliminary evaluation of the well suggests the reservoir was tight with very low porosity and permeability. The PH-10 well was drilled in September and commenced production in October at 7-8 mmcf/day.

Block L15/43

Block L15/43 surrounds the Phu Horm gas field. Drilling of the South Phu Horm-1 ("SPH-1") appraisal well on the southern extension of the Phu Horm gas field commenced February 15, 2008. The well will be drilled to a targeted depth of 2,462 meters, sub-sea, and determine whether the productive Phu Horm reservoir extends beyond the Hess operated production license into the surrounding L15/43 concession.

Block L27/43

Block L27/43 is located 50 km southeast of the L15 concession. Seismic operations were conducted and evaluated over the Dong Mun structure in 2006. The Dong Mun 3 ("DM3") appraisal well was spudded on November 8, 2007 reaching a total depth of 3,127 meters. The well encountered numerous gas shows in the Jurassic, Triassic and Permian sections. Although gas was recorded over these intervals, no tests were conducted due to the lack of suitable testing equipment. Testing is anticipated in the third quarter of 2008. The appraisal well offers the opportunity to add reserves in close proximity to Phu Horm and Nam Phong infrastructure.

Block L13/48

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, 2007

Highlights of the Company's gross working interest reserves as at December 31, 2007 are:

- 28% increase consolidated 1P reserves to 19.0 mmboe (2006: 14.8 mmboe)
  - 41% increase in offshore 1P reserves to 8.3 mmboe (2006: 5.9 mmboe)
  - 20% increase in onshore 1P reserves to 10.7 mmboe (2006: 8.9 mmboe)
- 24% increase in consolidated 2P reserves to 45.5 mmboe (2006: 36.6 mmboe)
  - 50% increase in offshore 2P reserves to 26.7 mmboe (2006: 17.8 mmboe)
  - No increase in onshore 2P reserves to 18.8 mmboe (2006: 18.8 mmboe)

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 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:								
Onshore Developed Producing	-	-	450.0	49.6	2,462	271	77,467	8,541
Offshore Undeveloped	8,332	7,563	-	-	-	-	8,332	7,563
Onshore Undeveloped			44.3	4.9	242	27	7,618	840
Total Proved	8,332	7,563	494.3	54.5	2,704	298	93,417	16,944
Offshore	18,368	16,136	-	-	-	-	18,368	16,136
Onshore	-	-	372.6	41.1	2,038	225	64,138	7,071
Total Probable	18,368	16,136	372.6	41.1	2,038	225	82,506	23,207
Total Proved Plus Probable	26,700	23,699	866.9	95.6	4,742	523	175,923	40,151

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	290.1	207.4	154.3	119.2	95.2	173.8	126.3	95.4	74.8	60.5
Offshore Undeveloped	390.7	331.7	281.4	238.4	201.5	133.0	112.0	93.5	77.1	62.6
Onshore Undeveloped	19.6	10.6	5.4	2.4	0.6	9.5	4.5	1.7	0.0	(0.9)
Total Proved	700.3	549.7	441.2	360.0	297.4	316.3	242.8	190.5	151.9	122.2
Offshore	1,371.1	1,124.8	931.3	777.9	655.1	747.6	633.9	539.8	462.1	397.7
Onshore	246.5	96.5	38.7	15.9	6.7	147.9	58.9	24.0	10.0	4.3
Total Probable	1,617.6	1,221.4	970.0	793.7	661.8	895.5	692.7	563.8	472.1	401.9
Total Proved Plus Probable	2,317.9	1,771.1	1,411.2	1,153.8	959.2	1,211.9	935.6	754.3	623.9	524.2

Consolidated Reserves Data – 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:								
Onshore Developed Producing	-	-	450.0	49.6	2,462	271	77,467	8,541
Offshore Undeveloped	8,267	7,528	-	-	-	-	8,267	7,528
Onshore Undeveloped			44.3	4.9	242	27	7,618	840
Total Proved	8,267	7,528	494.3	54.5	2,704	298	93,352	16,909
Offshore	18,333	16,105	-	-	-	-	18,333	16,105
Onshore	-	-	372.6	41.1	2,038	225	64,138	7,071
Total Probable	18,333	16,105	372.6	41.1	2,038	225	82,471	23,176
Total Proved Plus Probable	26,600	23,633	866.9	95.6	4,742	523	175,823	40,085

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	282.7	204.7	154.4	121.0	98.0	169.3	124.6	95.4	75.9	62.3
Offshore Undeveloped	295.9	249.8	210.3	176.5	147.5	72.4	58.8	46.7	35.8	26.0
Onshore Undeveloped	17.1	8.9	4.3	1.6	0.1	7.9	3.4	0.8	(0.6)	(1.3)
Total Proved	595.7	463.4	369.0	299.1	245.5	249.6	186.8	142.9	111.1	87.0
Offshore	1,146.4	949.6	792.5	666.4	564.5	600.8	519.1	448.4	388.3	337.3
Onshore	268.0	104.1	41.4	16.9	7.0	160.8	63.5	25.6	10.6	4.5
Total Probable	1,414.3	1,053.7	833.9	683.3	571.5	761.6	582.5	474.1	398.9	341.8
Total Proved Plus Probable	2,010.0	1,517.1	1,203.0	982.4	817.1	1,011.2	769.3	617.0	509.9	428.8

3.3 Discontinued Operations

In 2005 The Company entered into a seismic option agreement to evaluate 44,604 acres of federal leases located in Gabby Valley, Nevada, USA. In November 2006, the Company completed drilling the 1-12 Cobble Cuesta test well. In August 2007 after evaluation of the test well data, the Company formally relinquished all its working interest in the Nevada leases to the temporary operator in exchange for the Company's current obligations related to well clean up costs along with all future obligations surrounding this working interest.

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 complete Huddleston Report may be found on SEDAR at www.sedar.com.

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, 2007 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, 2007 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	8,306	7,563	-	-	-	-	8,306	7,563
Total Proved	8,306	7,563	-	-	-	-	8,306	7,563
Total Probable	18,368	16,136	-	-	-	-	18,368	16,136
Total Proved Plus Probable	26,674	23,699	-	-	-	-	26,674	23,699

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, 2007 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										
Undeveloped	390.7	331.7	281.4	238.4	201.5	133.0	112.0	93.5	77.1	62.6
Total Proved	390.7	331.7	281.4	238.4	201.5	133.0	112.0	93.5	77.1	62.6
Total Probable	1,371.1	1,124.8	931.3	777.9	655.1	747.6	633.9	539.8	462.1	397.7
Total Proved Plus Probable	1,761.7	1,456.6	1,212.7	1,016.3	856.6	880.6	745.9	633.3	539.1	460.3

Offshore Future Net Revenue – Constant Prices and Costs

The following table summarizes the total undiscounted future net revenue evaluated at December 31, 2007 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	822.5	73.6	213.9	144.3	0.0	390.7	257.7	133.0
Proved Plus Probable	2,641.5	294.6	400.8	174.3	10.0	1,761.8	881.2	880.6

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, 2007 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	281.4
Proved Plus Probable	Light and Medium Crude Oil	1,212.7

Offshore Reserves Data – Forecast Prices and Costs

The following table summarizes the reserves evaluated at December 31, 2007 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	8,267	7,528	-	-	-	-	8,267	7,528
Total Proved	8,267	7,528	-	-	-	-	8,267	7,528
Total Probable	18,333	16,105	-	-	-	-	18,333	16,105
Total Proved Plus Probable	26,600	23,633	-	-	-	-	26,600	23,633

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, 2007 for the forecast prices and costs case. The net present values are reported before income tax and after 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	295.9	249.9	210.3	176.5	147.5	72.4	58.8	46.7	35.8	26.0
Total Proved	295.9	249.9	210.3	176.5	147.5	72.4	58.8	46.7	35.8	26.0
Total Probable	1,146.4	949.6	792.5	666.4	564.5	600.8	519.1	448.4	388.3	337.3
Total Proved Plus Probable	1,442.3	1,199.5	1,002.8	842.9	712.0	673.2	577.9	495.1	424.1	363.3

Offshore Future Net Revenue – Forecast Prices and Costs

The following table summarizes the total undiscounted future net revenue evaluated at December 31, 2007 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	731.4	65.2	223.6	146.7	0.0	295.9	223.5	72.4
Proved Plus Probable	2,327.9	259.1	435.3	177.8	13.4	1,442.3	769.1	673.2

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, 2007 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	210.3
Proved Plus Probable	Light and Medium Crude Oil	1,002.8

Summary of Pricing and Inflation Rate Assumptions

Summaries of the December 31, 2007 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)
95.95	93.68	95.96	99.03

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	2008	92.00	90.50	95.85	2%
2	2009	88.00	86.50	91.85	2%
3	2010	84.00	82.50	87.85	2%
4	2011	82.00	80.50	85.85	2%
5	2012	82.00	80.50	85.85	2%
6	2013	82.00	80.50	85.85	2%
7	2014	82.00	80.50	85.85	2%
8	2015	82.00	80.50	85.85	2%
9	2016	82.02	80.52	85.87	2%
10	2017	83.66	82.16	87.51	2%
	Thereafter	+2%/yr	+2%/yr	+2%/yr	2%

Offshore Reserves and Future Net Revenue Reconciliations

In its 2006 AIF, the Company reported reserves based on Huddleston's Report dated April 11, 2007. 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, 2007 using constant prices and costs. Net reserves include working interest reserves after royalties.

	Light & Medium Crude Oil (mbbl)			**Natural Gas** (bcf)			**Condensate** (mbbl)		
	Proved	Probable	Total	Proved	Probable	Total	Proved	Probable	Total
December 31, 2006	5,531	10,557	16,108	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-
Revisions	2,032	5,559	7,591	-	-	-	-	-	-
Less Production	-	-	-	-	-	-	-	-	-
December 31, 2007	**7,563**	**16,136**	**23.699**	**-**	**-**	**-**	**-**	**-**	**-**

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 December 31, 2006 to December 31, 2007 using constant prices and costs, discounted at 10 percent.

Period / Factor		**($ millions)**
Present value of future net reserves at December 31, 2006	$	81.5
Oil and gas sales during the period, net of royalties and production costs		0.0
Changes due to prices		148.4
Accretion of discount		7.6
Changes resulting from technical revisions plus effect of timing		60.7
Changes resulting from acquisition of reserves		0.0
Changes in future development costs		(16.8)
Other		0.0
Present value of future net revenues at December 31, 2007	**$**	**281.4**

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.

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.

Ability to exploit successful discoveries or complete projects

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.

The Company's current projects are, and future projects will be, subject to approval of governmental authorities and, as a result, the Company has limited control over the nature and timing of exploration and development of oil and gas properties or the manner in which operations are conducted on such properties.

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

- ***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 and interest rate risk

The Company operates internationally and therefore is exposed to the effects of changes in currency exchange rates. The majority of the Company's expenditures are denominated in United States dollars, Thai baht, British pounds and Canadian dollars. The Company is subject to inflation in the countries in which it operates and fluctuations in the rates of currency exchange between the United States dollar and these other currencies The Company does not currently use financial instruments or derivatives to hedge these currency risks.

The Company is exposed to fluctuations in short-term interest rates on amounts drawn under its revolving credit facility. The Company has not hedged these rates given the need to remain flexible in borrowing and repaying the outstanding balances.

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's PCA's and other contracts with governments and government bodies to explore and develop the properties are subject to specific requirements and obligations. If the Company fails to satisfy such requirements and obligations and there is a material breach of such contracts, such contracts could, under certain circumstances, be terminated. The termination of any of the Company's contracts granting rights in respect to the properties would have a material adverse effect on the Company, including the Company's financial position.

Reliance on management and 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.

APICO financial reporting

The Company accounts for its 36.1% investment in APICO under the equity method whereby it records its share of APICO's earnings as earnings from a significantly influenced investee. APICO is required to provide the partners its financial statements under the Joint Venture Agreement on a timely basis. While the Company has a seat on the APICO's Board of Directors, it does not control the Board or the management of APICO. Therefore, the Company relies heavily on APICO management to provide timely and accurate financial information to the partners.

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 currently insures the risks it considers appropriate for the Company's needs and for its circumstances. 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 litigation

The Company may be subject to litigation arising out of its operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Company’s business, results of operations or financial condition. While the Company assesses the merits of each lawsuit and defends itself accordingly, it may be required to incur significant expense or devote significant financial resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Company’s business.

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 would 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 250,000,000 common shares of nominal or par value of US$0.04 each, of which 93,490,720 common shares are issued and outstanding as of April 28, 2008. 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". Effective October 4, 2006, the trading symbol was changed to "CEO" to reflect the Company's name change to Coastal Energy Company. Effective November 7, 2007, the Company's trading symbol was changed to "CEN" as a result of the share Consolidation.

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 monthly high and low trading prices and aggregate trading volume for the Company's common shares on the TSX-V and AIM exchanges in the 12 months ended December 31, 2007 are in the table below.

Common Share Trading Price Range & Aggregate Volume[1]

	Toronto Stock Exchange – TSX-V			London Stock Exchange - AIM		
	High (C$)	Low (C$)	Volume	High (£)	Low (£)	Volume
2007						
January	0.59	0.50	1,740,000	1.00	0.92	56,160
February	0.65	0.55	6,176,200	1.06	0.94	92,760
March	0.70	0.60	2,371,200	1.10	1.02	42,060
April	0.95	0.63	7,430,000	1.72	1.28	228,270
May	0.88	0.68	2,620,300	1.54	1.28	116,830
June	0.80	0.70	3,227,400	1.34	1.30	35,610
July	0.80	0.70	2,501,100	1.38	1.32	83,510
August	0.75	0.52	2,198,500	1.40	1.06	37,830
September	0.68	6.50	486,700	1.12	1.04	28,880
October	0.77	0.50	11,030,700	1.32	1.08	86,240
November	4.00	0.70	1,765,700	1.51	1.19	127,730
December	4.35	3.53	2,462,600	2.06	1.51	868,000

Note 1: The Company's common shares were consolidated at a ratio of 1 for 4 shares effective November 07, 2007. All prices and volume information prior to this date do NOT give effect to this Consolidation.

Item 7 Escrowed Securities

As part of the NuCoastal Acquisition and PH Gas Acquisition, discussed in Item 2.3 above, 47,020,721 common shares were initially placed in escrow. As of December 31, 2007 the common shares held in escrow were 11,755,180, which is 15.27% of the total common shares issued and outstanding. These shares were held in escrow with Pacific Corporate Trust Company. Under the terms of the share exchange agreements, these shares were to be released from escrow on the following dates:

September 25, 2006	11,755,180 shares	Released on schedule
March 25, 2007	11,755,181 shares	Released on schedule
September 25, 2007	11,755,180 shares	Released on schedule
March 25, 2008	11,755,180 shares	Released on schedule

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
Randy L. Bartley [4] Sugar Land, Texas, USA	February 6, 2008	Director, Chief Executive Officer and President of the Company; Prior to February 2008, Founding partner and COO of Erskine Energy LLC
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] [4] 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	Chairman of the Company. Director, Chief Executive Officer and President of the Company from May 2005 thru February 2008. Prior to May 2005, Managing Director of Deltaic Systems Limited
John Murphy [3] [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
Forrest Wylie [1] [3] [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] 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
Randy L. Bartley Sugar Land, Texas, USA	Chief Executive Officer & President	February 6, 2008	Founding partner and COO of Erskine Energy LLC
William C. Phelps [(1)] Houston, Texas, USA	Chief Financial Officer	September 25, 2006	Chief Financial Officer of NuCoastal Corporation.
John M. Griffith Houston, Texas, USA	VP, Thailand Operations	February 23, 2008	Drilling Manager for Erskine Energy LLC
Stephen M. Holder Spring, Texas, USA	VP, Controller	November 17, 2006	Division Finance Manager for General Electric Company
Kimberly R. Landon Houston, Texas, USA	Corporate 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 April 28, 2008, the directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 3,085,200 ordinary shares, representing approximately 3.3% of the Company's 93,490,720 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 38,769,581 or approximately 41.5% are subject to the Voting Agreement and the voting rights attached thereto are exercised by the seven (7) outside directors at the date of the Reverse Takeover (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 retired as the Company's Non-Executive Chairman effective February 6, 2008. While serving in this capacity, he was also 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 37,915,831 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 853,750 shares of common stock to Mr. Wyatt in consideration of funds advanced to APICO. These total shares represent 41.47% 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 5,000,000 shares to Thailand Venture, LLP, 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 5.35% 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.

Item 11 Transfer Agents and Registrars

The registrar and transfer agent for the Company's common shares in Canada is
Pacific Corporate Trust Company
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

Other than the contracts entered into in the ordinary course of business, the following are the contracts that are material to the Company entered into within the most recently completed financial year or before the most recently completed financial year, but which are still in effect:

Revolving debt facility

On June 26, 2007, the Company entered into a $50 million revolving debt facility (the "Facility") secured by the Company's investment in Apico and with a final maturity date of December 31, 2013. The Facility, arranged and managed by Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC"), consists of a $42.5 million senior loan and a $7.5 million junior loan. The Facility is in the form of a borrowing base loan and its availability is subject to recalculation every quarter.

Drilling contract

On November 13, 2007, the Company entered into a drilling agreement with Swiber Offshore Drilling Pte Ltd, ("Swiber") whereby Swiber will provide drilling services to the Company for an initial twelve month period beginning in 2008 with the option to extend this contract an additional 12 months at the same terms. The Company intends to drill development wells in the Songkhla and Bua Ban oil fields, appraisal wells in the Songkhla basin and exploratory wells in the Ko Kra basin in the Gulf of Thailand under this contract.

Offshore concession

On December 19, 2007, the Company was granted Petroleum Concession No. 9/2550/85 by the Kingdom of Thailand Ministry of Energy. This concession covers Block G5/50 in the Gulf of Thailand for an initial term of six (6) years. Details of this PCA can be found in section 6.2 of this AIF.

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

Deloitte & Touche LLP is independent in accordance with the rules of professional conduct in British Columbia.

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 45)

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 60)

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, 2007 and 2006:

($ thousands)	2007	2006
Audit Fees	203	374
Audit-Related Fees	58	622
Tax Fees	-	2
All Other Fees	-	-
Total	**261**	**998**

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

On January 8, 2008, the Company completed a public offering of 16,445,000 common shares (including the over-allotment option of 2,145,000 common shares) of the Company at a price of $3.50 (Cdn$3.50) per common share, raising gross proceeds of $57.6 million (Cdn$57.6 million). Proceeds of this offering, net of issuance costs of $3.1 million, were $54.5 million.

On February 4, 2008, the Company announced that the Dong Mun 3 (“DM3”) well had completed drilling, reaching a total depth of 3,127 meters. This well encountered gas shows at several zones and currently has been suspended pending testing. This well is located in Block L27/43 in Khorat Plateau, northeast Thailand. The Company has a 36.1% interest in this concession via its ownership in Apico.

On February 6, 2008, the Company announced changes to its senior management and Board of Directors. Mr. Albert Whitehead retired as Chairman of Coastal; Mr. Frank Inouye, Coastal’s current President and Chief Executive Officer was appointed as the new Chairman; and Mr. Randy Bartley was appointed as President, Chief Executive Officer and a Director of the Company.

On February 18, 2008, the Company announced that the South Phu Horm-1 (“SPH1”) well had commenced drilling to a targeted depth of 2,462 meters. This well is located in Block L15/43 in Khorat Plateau, northeast Thailand. The Company has a 36.1% interest in this concession via its ownership of Apico.

On February 26, 2008, the Company acquired a 24,000 ton tanker ship for $8 million to be used as a floating storage and off-loading unit in connection with the development of the Company’s Gulf of Thailand properties.

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

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, 2007. The reserves data consist of the following:

   (a) (i) proved and proved plus probable oil and gas reserves estimated as at December 31, 2007 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, 2007 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, 2007, 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, 2007	Thailand Thailand	US $1,002,844,000 US $ 200,119,000 US $1,202,963,000

'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 21, 2008

Appendix B – Form 51-101F3 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, 2007 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, 2007 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 28, 2008

(signed) Randy L. Bartley
Chief Executive Officer

(signed) William C. Phelps
Chief Financial Officer

(signed) Frank A. Inouye
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, 2007 and the costs incurred by Apico during the year ended December 31, 2007 multiplied by 36.1 percent, being Coastal's equity interest in Apico as of December 31, 2007. 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, 2007 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	-	-	450.0	49.6	2,462	271	77,467	8,541
Undeveloped	-	-	44.3	4.9	242	27	7,618	840
Total Proved	-	-	494.3	54.5	2,704	298	85,085	9,381
Total Probable	-	-	372.6	41.1	2,038	225	64,138	7,071
Total Proved Plus Probable	-	-	866.9	95.6	4,742	523	149,223	16,452

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, 2007 for the constant prices and costs case. The net present values are reported before income tax and after 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	290.1	207.4	154.3	119.2	95.2	173.8	126.3	95.4	74.8	60.5
Undeveloped	19.6	10.6	5.4	2.4	0.6	9.5	4.5	1.7	0.0	(0.9)
Total Proved	309.6	218.0	159.7	121.6	95.9	183.4	130.8	97.1	74.8	59.7
Total Probable	246.5	96.5	38.7	15.9	6.7	147.9	58.9	24.0	10.0	4.3
Total Proved Plus Probable	556.2	314.5	198.5	137.5	102.5	331.3	189.7	121.1	84.8	63.9

Onshore Future Net Revenue – Constant Prices and Costs

The following table summarizes the total undiscounted future net revenue evaluated at December 31, 2007 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	401.2	50.1	25.3	15.5	0.6	309.7	126.3	183.4
Proved Plus Probable	703.6	87.9	43.4	15.5	0.6	556.2	224.9	331.3

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, 2007 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	159.7
Proved Plus Probable	Natural Gas and Condensate	198.5

Onshore Reserves Data – Forecast Prices and Costs

The following table summarizes the reserves evaluated at December 31, 2007 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	-	-	450.0	49.6	2,462	271	77,467	8,541
Undeveloped	-	-	44.3	4.9	242	27	7,618	840
Total Proved	-	-	494.3	54.5	2,704	298	85,085	9,381
Total Probable	-	-	372.6	41.1	2,038	225	64,138	7,071
Total Proved Plus Probable	-	-	866.9	95.6	4,742	523	149,223	16,452

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, 2007 for the forecast prices and costs case. The net present values are reported before income tax and after 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	282.7	204.7	154.4	121.0	98.0	169.3	124.6	95.4	75.9	62.3
Undeveloped	17.1	8.9	4.3	1.6	0.1	7.9	3.4	0.8	(0.6)	(1.3)
Total Proved	299.8	213.6	158.7	122.6	98.1	177.2	128.0	96.3	75.3	61.0
Total Probable	268.0	104.1	41.4	16.9	7.0	160.8	63.5	25.6	10.6	4.5
Total Proved Plus Probable	567.8	317.7	200.1	139.5	105.1	338.0	191.4	121.9	85.9	65.4

Onshore Future Net Revenue – Forecast Prices and Costs

The following table summarizes the total undiscounted future net revenue evaluated at December 31, 2007 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	395.5	49.4	29.1	16.4	0.8	299.8	122.6	177.2
Proved Plus Probable	731.9	91.5	55.5	16.4	0.8	567.7	229.8	337.9

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, 2007 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	158.7
Proved Plus Probable	Natural gas and Condensate	200.1

Summary of Pricing and Inflation Rate Assumptions

Summaries of the December 31, 2007 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)
95.95	93.68	88.90	84.72	58.83	5.98

Note 1 – Onshore gas prices have been adjusted by a BTU factor of 987.447 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	2008	92.00	90.50	89.42	85.21	67.57	6.93	2%
2	2009	88.00	86.50	85.42	81.40	63.57	6.60	2%
3	2010	84.00	82.50	81.42	77.59	59.57	6.26	2%
4	2011	82.00	80.50	79.42	75.68	57.57	6.10	2%
5	2012	82.00	80.50	79.42	75.68	57.57	6.10	2%
6	2013	82.00	80.50	79.42	75.68	57.57	6.10	2%
7	2014	82.00	80.50	79.42	75.68	57.57	5.44	2%
8	2015	82.00	80.50	79.42	75.68	57.57	5.44	2%
9	2016	82.02	80.52	79.44	75.70	57.59	5.44	2%
10	2017	83.66	82.16	81.08	77.27	59.23	5.56	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 987.447 btu/scf and are shown as $/mcf

Onshore Reserves and Future Net Revenue Reconciliations

In its 2006 AIF, the Company reported reserves based on Huddleston's Report dated April 11, 2007. The following tables reconcile reserves reported therein with the reserves reported in the Huddleston Report.

Onshore 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, 2007 using constant prices and costs. Net reserves include working interest reserves after royalties.

	Light & Medium Crude Oil (mbbl)			**Natural Gas** (bcf)			**Condensate** (mbbl)		
	Proved	Probable	Total	Proved	Probable	Total	Proved	Probable	Total
December 31, 2006	-	-	-	45.4	50.8	96.1	212	237	449
Acquisitions	-	-	-	-	-	-	-	-	-
Revisions	-	-	-	13.0	(9.7)	3.3	108	(12)	96
Less Production	-	-	-	(3.9)	-	(3.9)	(22)	-	(22)
December 31, 2007	**-**	**-**	**-**	**54.5**	**41.1**	**95.6**	**298**	**225**	**523**

Onshore 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 December 31, 2006 to December 31, 2007 using constant prices and costs, discounted at 10 percent.

Period / Factor		**($ millions)**
Present value of future net reserves at December 31, 2006	$	98.8
Oil and gas sales during the period, net of royalties and production costs		(16.5)
Changes due to prices		32.1
Accretion of discount		7.7
Changes resulting from technical revisions plus effect of timing		33.9
Changes resulting from acquisition of reserves		0.0
Changes in future development costs		3.7
Other		0.0
Present value of future net revenues at December 31, 2007	**$**	**159.7**

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.