QUARTERLY REPORT

COASTAL ENERGY

MARCH 31, 2007

RESTATED

COASTAL ENERGY COMPANY

Three month period ended March 31, 2007 (Amended)

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

The following is Management's Discussion and Analysis ("MD&A") of the results and financial condition of Coastal Energy Company (the **"**Company**"**). This MD&A, dated August 28, 2007, should be read in conjunction with the accompanying unaudited consolidated financial statements for the three months ended March 31, 2007 and related notes thereto. Additional information related to the Company is available on SEDAR at www.sedar.com.

Overview

The Company was incorporated in the Cayman Islands as PetroWorld Corp. under the Companies Law of the Cayman Islands on May 26, 2004. The Company is engaged in the acquisition and exploration of petroleum and natural gas properties and is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange under the symbol "CEO" and on the TSX Venture Exchange ("TSX-V") under the symbol "CEO". The functional and reporting currency of the Company and its subsidiaries is the US dollar ("USD").

The Company's principal oil and gas properties and assets are: (1) 100% direct ownership in the offshore Block G5/43 in the Gulf of Thailand which includes the Bua Ban and Songkhla oil fields; and (2) various interest holdings in the following petroleum concessions in the Khorat Plateau in north eastern Thailand which the Company holds via its 36.1% ownership interest in Apico LLC ("Apico").

Petroleum Concession	Apico	**Coastal**
Block EU-1 and E-5N in the Phu Horm gas field	35%	12.635%
Block L 15/43 (surrounding the Phu Horm gas field)	100%	36.100%
Block L 27/43 (southeast of the Phu Horm gas field)	100%	36.100%
Block L 13/48 (immediately east of the Phu Horm gas field)	60%	21.660%

In September 2006, the Company made an additional investment in Apico which exceeded its proportional share of net assets of Apico by $18.7 million ("excess basis"). The difference has been allocated to Apico's oil and gas properties and is being amortized using the units of production method in accordance with the Company's accounting policy. At March 31, the remaining unamortized excess basis is $18.3 million.

First Quarter 2007 Highlights

- The Company has reported $1.563 million as its share of earnings of significantly influenced investee. This represents its 36.1% of Apico unaudited first quarter net income of $5,561 million less amortization of the Company's excess basis in Apico of $0.445 million.

- The Phu Horm gas field, in which the Company has a net 12.6% indirect interest, was currently averaging over 85 million cubic feet per day ("mmcf/d") at the end of the first quarter.

- The Company continued to conduct geological and development work on its assets in the G5/43 block, Gulf of Thailand; including interpretation of the 3-D seismic shoot 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.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward looking statements are based on current expectations, estimates, and projections that involve various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied.

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

Oil & Gas Properties

Summary of Oil & Gas Properties	Thailand On-Shore	Thailand Off-shore	Nevada USA	Totals
Balance, December 31, 2005	$7,670	$4,751	$ -	$12,421
Additions during the period:				
Exploration & development	11,247	4,076	407	15,730
Net assets acquired via NuCoastal Acquisition		57,540	1,402	58,942
Net assets acquired via Apico Acquisition	22,008	-	-	22,008
Advances associated with Apico Acquisition	2,750	-	-	2,750
Add (deduct) other item				
Equity earnings in Apico	371	-	-	371
Balance, December 31, 2006	44,046	66,367	1,809	112,222
Additions during the period:				
Exploration & development	481	681	4	1,166
Add (deduct) other item				
Equity earnings in Apico	2,008	-	-	2,008
Amortization of excess basis in Apico	(445)	-	-	(445)
Balance, March 31, 2007	$46,090	$67,048	$1,813	$114,951

(a) Thailand Onshore

The Thailand onshore interests are held indirectly through the Company's equity investment in Apico. Apico is considered a significant equity investee. Apico's results of operations for the three months ended March 31 and financial position are as follows:

Three months ended March 31,	**2007**	2006
Total revenues	**$14,184**	$-
Total expenses	**3,839**	74
Income tax expense	**4,784**	-
Net Income	**5,561**	$(74)

	March 31, 2007	December 31, 2006
Current assets	**$19,041**	$7,255
Property, plant and equipment	**73,153**	68,336
Other assets	**183**	237
Total assets	**$92,377**	$75,828
Current liabilities	**$15,212**	$6,260
Non-current liabilities	**886**	101
Members equity	**76,279**	69,467
Total liabilities and equity	**$92,377**	$75,828

Production at the Phu Horm gas field commenced on November 30, 2006 and will supply the Nam Phong power plant with over 500 billion cubic feet of gas, plus condensate, under a 15 year Gas Sales Agreement with PTT Public Company Limited. Coastal's net interest of 12.6% is held through its equity investment in Apico which holds a 35% interest in the gas field. The other partners in the field include Hess Corporation (Operator - 35%), PTT Exploration & Production (20%) and Exxon Mobil Corp. (10%). Three wells at Phu Horm were producing at quarter end delivering in aggregate in excess of 85 mmcf/day to Nam Phong. The field was also producing in excess of 450 bbls of condensate per day.

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

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

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

The Company also holds a 21.7% interest in Block L13/48 which is located 40km east of the Phu Horm gas field. The L13 concession holds the Si That discovery which tested gas in the Si That-2 well. 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.

(b) Thailand Offshore

The Company maintains a 100% working interest in Block G5/43 (the "Block") in the Gulf of Thailand. The Block is approximately 17,110 square kilometres and average water depths are approximately 70 feet. Three successful wells were drilled by NuCoastal and PetroWorld on the Bua Ban oil field ("Bua Ban") in August 2005 which confirmed proved and probable oil reserves of approximately 12 million barrels of oil. 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. The Songkhla oil field, which is smaller than Bua Ban, was discovered in 1989 and originally tested 1,500 barrels of production per day and contains proved and probable oil reserves of approximately 4.2 million barrels. 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 begun contracting services for the Songkhla development and expects to be in production within the next 12 months.

(c) Nevada

The Company considers this asset to be non-core. The Company has a thirty (30%) percent working interest in approximately 75,000 acres of Federal Leases (the "Leases") located in Gabbs Valley, Nevada, USA.

Restatement of Financial Statements

The Company has been informed by Apico, LLC ("Apico") that Apico incorrectly reported its earnings for the three months ended March 31, 2007. The Company accounts for its 36.1% interest in Apico under the equity method whereby it records its share of Apico's earnings as earnings from significantly influenced investee. In Apico's previously released financial statements, Apico primarily incorrectly reported an accrual for local country income taxes. However, Apico has since adjusted its income statement, including its income tax provision for the period ended March 31, 2007. As a result of Apico's restatement, the Company has restated and re-filed its financial statements and the related management discussion and analysis for the three months ended March 31, 2007.

Summary of Quarterly Information

Three months ended March 31,	**2007**	2006
Operating Expenses	**$1,295**	$36
Share of (earnings) loss of Apico, LLC	**(1,563)**	10
Foreign exchange (gain) loss	**1,007**	(69)
Net income (loss)	**(739)**	23
Per share basic and diluted	**$0.00**	$0.00
Working capital (deficit)	**$11,091**	$(12,960)
Total assets	**$129,403**	$15,847

Cash Flow Analysis

The Company's cash and cash equivalents decreased by $6.0 million from $18.3 million at December 31, 2006 to $12.3 million at March 31, 2007. These funds were primarily used to reduce accounts payables and accrued liabilities by $2.9 million; pay operating expenses of $1.2 million; make additional investment in Apico for $0.5; and invest in property, plant and equipment for $1.1 million.

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

Summary of Quarterly Results

	2007	2006				2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Operating expenses	**$1,295**	**$2,588**	**$140**	**$23**	**$36**	$224	$59	$58
Share of (earnings) loss of Apico LLC	**(1,563)**	**(583)**	**123**	**79**	**10**	43	43	43
Foreign exchange (gain) loss	**1,007**	**1,763**	**(38)**	**(19)**	**(68)**	(91)	(7)	101
Net income (loss)	**$(739)**	**$(3,768)**	**$(225)**	**$(83)**	**$22**	$(176)	$(95)	$(202)
Per share basic & diluted	**$0.00**	**$(0.02)**	**$0.00**	**$0.00**	**$0.00**	$0.00	$0.00	$0.00

The amounts reported prior to September 25, 2006 are the historical information of NuCoastal Thailand Limited. Subsequent to September 25, 2006 the amounts reported include the results of PetroWorld.

(a) Operating Expenses

- The decrease in Q1 2007 compared to the prior quarter was primarily the result of lower professional fees, regulatory and listing fees
- The increase in Q4 2006 compared to the prior quarter was primarily the result of the consolidation of operations of PetroWorld and NuCoastal (effective September 25, 2006) combined with additional professional fees, regulatory and listing fees and stock based compensation.
- The increase in Q3 2006 compared to the prior quarter was primarily the result of increased regulatory & listing fees.
- The increase in Q4 2005 compared to the prior quarter was primarily the result of increased professional fees.

(b) Share of (earnings) loss of Apico LLC

Under the equity method of accounting, the Company records its share of net income / loss of Apico based on the reported quarterly net income / loss of Apico. Apico recorded its first quarter of profitability in Q4 2006, when the Phu Horm gas field began production. Q1 2007 was the first full quarter of production for the Phu Horm gas field. The earnings were reduced in Q1 2007 by the amortization of the Company's excess basis in Apico.

(c) Foreign exchange (gain) loss

The foreign exchange gain/loss is a result of the Company carrying out transactions and maintaining certain assets and liabilities in currencies other than the US Dollar, including the Canadian Dollar, the British Pound and the Thai Baht. $0.76 million of the FX loss is attributable to the revaluation of the long-term Thailand tax liability created by the reverse takeover of PetroWorld.

Liquidity and Capital Resources

As at March 31, 2007, the Company had working capital of $11.1 million including cash and cash equivalents of $12.3 million, which, in management's opinion, is sufficient to cover ongoing obligations as they become due. Beginning with December 2006, Apico has been largely self-funding as a result of production from its Phu Horm interest and the Company has made only one additional advance to or investment in Apico, in the amount of $0.48 million. The Company presently has earnings from its interest in Apico, which is accounted for under the equity method on the Statement of Operations. In order to put the offshore Gulf of Thailand property into commercial production, substantial capital will be required. The additional sources of capital presently available to the Company for development are from the sale of equity or borrowings under a potential credit facility.

(a) Share Capital

1,000,000,000 common shares with par value of $0.01 each
As of the date of this report, the Company had 307,932,888 common shares outstanding.

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

(b) Stock Options

During the three months ended March 31, 2007, no stock options were granted, exercised or cancelled. The following table summarizes the outstanding and exercisable options at March 31, 2007:

Outstanding & Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life
1,350,000	$0.20 (£0.10)	January 25, 2009	1.75 Years
1,800,000	$0.69 (£0.35)	July 6, 2010	3.25 Years
12,100,000	$0.48 (Cdn0.55)	December 27, 2011	4.75 Years
15,250,000			

(c) Warrants

During the three months ended March 31, 2007, warrants for 1,125,000 shares with an exercise price of $0.66 (£0.35) expired unexercised. The following table summarizes the outstanding and exercisable warrants at March 31, 2007:

Outstanding & Exercisable	Exercise Price	Expiry Date
214,350	$0.69 (£0.35)	July 20, 2007
9,375,000	$1.38 (£0.70)	July 20, 2010
9,589,350		

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transaction

A non-executive director of the Company is an officer and director of a company which is the temporary operator of the Company's working interest in Gabbs Valley, Nevada. Included in accounts payable and accrued liabilities at December 31, 2006 and 2005 were $56 and $Nil, respectively, owed to this operator. This transaction, occurring in the normal course of operations, is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Commitments and Contingencies

The Company is committed to payments under operating lease agreements for office space as follows:

Year	
2007	$268
2008	357
2009	354
2010	242

NuCoastal's shareholder provided a Letter of Credit to the Thailand Customs Department on behalf of the Company. This letter of credit, for $0.573 million (Thai Baht 20 million), has not been drawn on and remains outstanding as of March 31, 2007.

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

Subsequent Events

Drilling and testing of two development wells, PH-6 and PH-7 on the Phu Horm gas field has been completed with both wells being suspended. PH-6 and PH-7 were directionally drilled from the PH-4 production well location and were expected to be completed as support wells.

Testing of the Cobble Cuesta 1-12 exploratory well which was originally drilled and suspended in October, 2006 was completed with no hydrocarbons being recovered. The Company is currently evaluating the results of the tests run on this well.

The Company acquired a mat based jack up rig ("the Ocean 66") in April 2007 for $1.2 million. Refurbishment of the Ocean 66 and conversion into a re-usable multi-purpose platform to accommodate production facilities, drilling operations and tender assist operations is anticipated to take six months. Once completed, the rig will be relocated to the Gulf of Thailand to be utilized initially in the development of the Bua Ban oilfield.

Financial Instruments

The Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, amounts due to joint interest partners, amounts due to shareholder and accounts payable. The fair values of the financial instruments approximate their carrying values due to their short term nature.

It is management's opinion that the Company is not exposed to interest risk arising from these financial instruments, but is exposed to currency, commodity and credit risk. The Company does not use derivative instruments to reduce these risks.

Critical Accounting Policies and Estimates

A detailed summary of the company's critical accounting policies and estimates is included in Management's discussion and analysis for the year ended December 31, 2006 and also in Note 2 to the annual audited financial statements for the year ended December 31, 2006.

New Accounting Pronouncements

Effective January 1, 2007, the Company has adopted two new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

(a) Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations and deficit.

Upon adoption of this new standard, the Company has designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Accounts receivable and other are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and amounts due to shareholder are classified as other financial liabilities, which are measured at amortized cost. As at March 31, 2007, the Company did not have any financial assets classified as available-for-sale and therefore, the adoption of the standard noted above had no effect on the presentation of the Company's consolidated financial statements.

(b) Comprehensive Income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a statement of comprehensive income and a new category, accumulated other comprehensive income, in the shareholders' equity section of the consolidated balance sheet. The components of this new category may include unrealized gains and losses on financial assets classified as available-for-sale, exchange gains and losses arising from the translation of financial statements of a self-sustaining foreign operation and the effective portion of the changes in fair value of cash flow hedging instruments.

During the three month period ended March 31, 2007, there were no changes in shareholders' equity that resulted from the non-owner sources and consequently, the adoption of the standard noted above had no effect on the presentation of the Company's consolidated financial statements.

Risks and Uncertainties

(a) Going Concern

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with Canadian GAAP on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and accordingly will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company is currently a development stage entity and has no direct revenue from production; however, the Company has earnings from its interest in Apico, which is accounted for under the equity method on the income statement. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing or bring one of its resource properties into commercial production and ultimately achieve profitable operations. Although to date the Company has been successful in obtaining financing, there can be no assurance that the Company will be successful in raising additional share capital or generating revenue to generate sufficient cash flows to continue as a going concern.

(b) Trends

In recent years, the petroleum and natural gas exploration industry has seen significant growth, primarily as a result of increased global demand, led by India and China. During this period, prices for petroleum have steadily increased, resulting in multi-year price highs. Prior to this recent surge, large companies found it more feasible to grow their reserves and resources by purchasing companies or existing oilfields. However, with improving prices and increasing demand, a discernible need for the development of exploration projects has arisen. Junior companies have become key participants in identifying properties of merit to explore and develop.

(c) Risks and Uncertainties

The Company is subject to a number of risk factors due to the nature of the petroleum and gas business in which it is engaged, not the least of which are adverse movements in commodity prices, which are impossible to forecast. The Company is also subject to the oil and gas services sector which, at the present, has limited available capacity and therefore may demand premium rates. The Company seeks to counter these risks as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic returns.

(d) Industry

The Company is engaged in the acquisition of petroleum and natural gas properties, an inherently risky business, and there is no assurance that an economic petroleum and natural gas deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially viable petroleum and natural gas deposits. The geological focus of the Company is on areas in which the geological setting is well understood by management.

(e) Petroleum and Gas Prices

The price of petroleum and natural gas is affected by numerous factors beyond the control of the Company including global consumption and demand for petroleum and natural gas, international economic and political trends, fluctuations in the U.S. dollar and other currencies, interest rates, and inflation. While prices for petroleum and natural gas have increased significantly since the start of 2003, there is no assurance that this trend will continue or that current prices will be sustained.

(f) Cash Flows and Additional Funding Requirements

The Company presently has earnings from its interest in Apico, which is accounted for under the equity method on the income statement. In order to put the offshore Gulf of Thailand property into commercial production, substantial capital will be required. The sources of capital presently available to the Company for development are from the sale of equity or borrowings under a potential credit facility. The Company has sufficient financial resources to undertake its firm obligations for the next 12 months.

(g) Environmental

The Company's exploration activities are subject to extensive laws and regulations governing environmental protection. Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be achievable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures.

(h) Laws and Regulations

The Company's exploration activities are subject to local laws and regulations governing prospecting, drilling, development, exports, taxes, labour standards, occupational health and safety, and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly.

There are also many risks associated with operations in international markets, including changes in foreign governmental policies relating to crude oil and natural gas taxation, other political, economic or diplomatic developments, changing political conditions and international monetary fluctuations. These risks include: political and economic instability or war; the possibility that a foreign government may seize our property with or without compensation; confiscatory taxation; legal proceedings and claims arising from our foreign investments or operations; a foreign government attempting to renegotiate or revoke existing contractual arrangements, or failing to extend or renew such arrangements; fluctuating currency values and currency controls; and constrained natural gas markets dependent on demand in a single or limited geographical area. The Company applies the expertise of its management, its advisors, its employees and contractors to ensure compliance with current local laws.

(i) Title to Oil and Gas Properties

While the Company has undertaken customary due diligence in the verification of title to its oil and gas properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered Petroleum Agreements or transfers and title may be affected by undetected defects.

(j) Dependence on Management

The Company strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term. The loss of one or more of these individuals could have a materially adverse effect on the Company.

(k) 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 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 Board of Directors of Apico, 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.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2006, that the Company's disclosure controls and procedures as of December 31, 2006 are effective to provide reasonable assurance that material information related to the Company is made known to them by others within the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

In addition, the certifying officers of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The certifying officers have concluded that the Company's internal control over financial reporting, as defined in 52-109, is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the year ended December 31, 2006, in accordance with Canadian GAAP. There has been no change in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Company's disclosure controls and procedures and internal controls over financial reporting can only provide reasonable assurance, and not absolute assurance.

Outlook

The Company is continuing to work towards and continues to operate in the business segment of acquiring and exploring petroleum and natural gas properties.

COASTAL ENERGY COMPANY

Consolidated Financial Statements
(Amended)

March 31, 2007
(Unaudited)

COASTAL ENERGY COMPANY
March 31, 2007 (Unaudited)

Table of contents

COASTAL ENERGY COMPANY

March 31, 2007 (Unaudited)

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Three months ended March 31,	**2007**	2006
	$	$
	(Restated - Note 1)	
Expenses		
Salaries and benefits	**430**	10
Professional fees	**293**	1
Stock based compensation	**168**	-
Office and general	**165**	14
Travel and entertainment	**100**	9
Regulatory and transfer agent	**72**	-
Interest Expense	**51**	-
Depreciation and amortization	**16**	2
	1,295	36
Other items		
Share of (earnings) loss of significantly influenced investee, net of taxes (Note 3)	**(1,563)**	10
Foreign exchange (gain) loss	**1,007**	(69)
	(556)	(59)
Net income (loss) and comprehensive income (loss)	**(739)**	23
Deficit, beginning of period	**(4,931)**	(877)
Deficit, end of period	**(5,670)**	(854)
Earnings per share		
Basic	**0.00**	0.00
Diluted	**0.00**	0.00
Weighted average number of common shares outstanding		
Basic	**307,432,888**	151,663,323
Diluted	**307,432,888**	151,663,323

COASTAL ENERGY COMPANY

March 31, 2007 (Unaudited)

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

CONSOLIDATED BALANCE SHEETS

As at	**March 31, 2007**	December 31, 2006
	$	$
	(Restated - Note 1)	
Assets		
Current assets		
Cash and cash equivalents	**12,252**	18,350
Accounts receivable and other (Note 2)	**754**	490
	13,006	18,840
Investment in and advances to Apico LLC (Note 3)	**46,090**	44,046
Property, plant and equipment, net (Note 4)	**69,875**	68,784
Other long-term assets	**432**	394
	129,403	132,064
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	**1,915**	4,820
Amounts due to shareholder (Note 6)	**4,775**	4,724
Future income tax liability	**25,916**	25,153
	32,606	34,697
Shareholders' equity		
Share capital (Note 7)	**3,074**	3,074
Contributed surplus	**99,393**	99,224
Deficit	**(5,670)**	(4,931)
	96,797	97,367
	129,403	132,064

COASTAL ENERGY COMPANY

March 31, 2007 (Unaudited)

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31,	**2007**	2006
	$	$
	(Restated - Note 1)	
Operating activities		
Net income (loss) for the period	**(739)**	23
Items not involving cash		
Depreciation and amortization	**16**	2
Foreign exchange (gain) loss	**1,007**	(69)
Stock-based compensation	**169**	-
Interest Expense	**51**	-
Share of (earnings) loss of significantly influenced investee	**(1,563)**	10
Change in non-cash working capital		
Accounts receivable and other	**(264)**	426
Accounts payable and accrued liabilities	**(2,905)**	(206)
	(4,228)	186
Investing activities		
Investment in and advances to Apico LLC	**(481)**	-
Purchase of property, plant and equipment	**(1,107)**	(568)
Increase in other long-term assets	**(38)**	-
	(1,626)	(568)
Financing activity		
Amounts due to shareholder	**-**	923
	-	923
Net effect of foreign exchange on cash held in a foreign currencies	**(244)**	69
Change in cash and cash equivalents	**(6,098)**	610
Cash and cash equivalents, beginning of period	**18,350**	135
Cash and cash equivalents, end of period	**12,252**	745
Cash and cash equivalents consists of:		
Cash	**686**	745
Short-term money market instruments	**11,566**	-
	12,252	745

Supplemental cash flow information

- For each of the periods presented, the Company made no cash payments for interest or income taxes.
- During the period ended March 31, 2006, NuCoastal's Shareholder advanced funds of $1.4 million to Apico, LLC.

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

Note 1. Basis of Presentation

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and following the same accounting policies and methods of their application as the audited consolidated financial statements of the Company as at December 31, 2006, except as described below. These financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2006. Certain disclosures that are normally required to be included in the notes to the annual financial statements have been condensed or excluded. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2007 and 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

Disclosure Required under National Instrument 51-105 – "Continuous Disclosure Obligations"

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants ("CICA") for a review of interim financial statements by an entity's auditor.

Restatement

The Company has been informed by Apico, LLC ("Apico") that Apico incorrectly reported its earnings for the three months ended March 31, 2007. The Company accounts for its 36.1% investment in Apico under the equity method of accounting whereby it records its share of Apico's earnings as earnings from significantly influenced investee (Note 3.) In Apico's previously released first quarter financial statements, Apico primarily incorrectly reported an accrual for local country income taxes. However, Apico has since adjusted its income statement, including its income tax provision for the period ended March 31, 2007. As a result of Apico's restatement, the Company has restated its earnings for the three months ended March 31, 2007. The effects of the restatement are summarized in the table below:

	As reported	**As restated**
Statement of operations and deficit		
Share of (earnings) loss of significantly influenced investee, net of taxes	$(3,044)	**$(1,563)**
Net income (loss)	$742	**$(739)**
Earnings per share	$0.00	**$0.00**
Balance sheet		
Investments in and advances to Apico LLC	$47,541	**$46,090**
Total assets	$130,884	**$129,403**

Changes in Accounting Policies

Effective January 1, 2007, the Company has adopted two new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)
In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations and deficit.

Upon adoption of this new standard, the Company has designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Accounts receivable and other are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and amounts due to shareholder are classified as other financial liabilities, which are measured at amortized cost. As at March 31, 2007, the Company did not have any financial assets classified as available-for-sale and therefore, the adoption of the standard noted above had no effect on the presentation of the Company's consolidated financial statements.

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

Note 1. Basis of Presentation (continued)

Comprehensive Income (CICA Handbook Section 1530)
Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a statement of comprehensive income and a new category, accumulated other comprehensive income, in the shareholders' equity section of the consolidated balance sheet. The components of this new category may include unrealized gains and losses on financial assets classified as available-for-sale, exchange gains and losses arising from the translation of financial statements of a self-sustaining foreign operation and the effective portion of the changes in fair value of cash flow hedging instruments.

During the three month period ended March 31, 2007, there were no changes in shareholders' equity that resulted from the non-owner sources and consequently, the adoption of the standard noted above had no effect on the presentation of the Company's consolidated financial statements.

Note 2. Accounts receivable and other

	March 31, 2007	December 31, 2006
Refundable taxes	**$366**	$64
Amounts due from joint interest partners	**123**	123
Other receivables	**79**	149
Prepaids, deposits and other assets	**186**	154
	$754	$490

Note 3. Investment in and advances to Apico LLC

The Company holds approximately 36.1% of Apico LLC ("Apico"), a limited liability company incorporated in the State of Delaware, USA. Apico's primary purpose is the acquisition, exploration and development of onshore petroleum interest in the Kingdom of Thailand. Apico has the following working interests in petroleum concessions located in the Khorat Plateau area in northeastern Thailand:

- 35% in Blocks EU-1 and E-5N in the Phu Horm gas field (net 12.635% to the Company);
- 100% in Block L15/43 surrounding the Phu Horm gas field (net 36.1% to the Company);
- 100% in Block L27/43 located southeast of the Phu Horm gas field (net 36.1% to the Company); and
- 60% in Block L13/48 located immediately east of the Phu Horm gas field (net 21.66% to the Company.)

The Company's September 2006 additional investment in Apico exceeded its proportionate share of net assets of Apico by $18.7 million ("excess basis"). This difference has been allocated to Apico's oil and gas properties and is being amortized using the units of production method in accordance with the Company's accounting policy. At March 31, 2007, the remaining unamortized excess basis is $18.3 million.

The following table summarizes the Company's investments in and advances to Apico:

	March 31, 2007	December 31, 2006
Balance, beginning of period	**$44,046**	$7,670
Advances during the period	**481**	11,247
Acquisition of additional ownership percentage	**-**	24,758
Amortization of disproportionate basis in Apico	**(445)**	-
Share of earnings (loss) of significant investee	**2,008**	371
Balance, end of period	**$46,090**	$44,046

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

Note 4. Property plant and equipment

	Cost	Accumulated depreciation and amortization	Net Book Value
Oil and gas properties			
Thailand	**$67,048**	**$ -**	**$67,048**
United States	**1,813**	**-**	**1,813**
Equipment	**225**	**-**	**225**
Office furniture & computer equipment	**338**	**(49)**	**289**
Leasehold improvements	**559**	**(59)**	**500**
Balance, March 31, 2007	**69,983**	**(108)**	**69,875**
Oil and gas properties			
Thailand	$66,367	$ -	$66,367
United States	1,809	-	1,809
Office furniture & computer equipment	146	(40)	106
Leasehold improvements	554	(52)	502
Balance, December 31, 2006	68,876	(92)	68,784

During the quarters ended March 31, 2007 and 2006 the Company capitalized $0.175 million and $0.031 million, respectively, of general and administrative overhead into oil and gas properties.

Thailand

The Company has a 100% working interest in Block G5/43 in the Gulf of Thailand which includes the Bua Ban and Songkhla oil fields.

United States

The Company has a 30% working interest in approximately 75,000 acres in federal leases in Gabbs Valley, Nevada.

Note 5. Accounts payable and accrued liabilities

	2007	2006
Accounts Payable	**$442**	$4,173
Accrued Expenses	**1,090**	264
Amounts due to joint interest partners	**383**	383
	$1,915	$4,820

Note 6. Amounts due to shareholder

The amounts due to shareholder are unsecured, bear interest at 4.5% per annum and are due on July 20, 2008.

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

Note 7. Share capital

Stock Options

During the three months ended March 31, 2007, no stock options were granted, exercised or cancelled. The following table summarizes the outstanding and exercisable options at March 31, 2007:

Number Outstanding	Remaining contractual life	Exercise Price	Number Exercisable	Expiry date
1,350,000	1.75 years	$0.20 (£0.10)	1,350,000	January 25, 2009
1,800,000	3.25 years	$0.69 (£0.35)	1,800,000	July 6, 2010
12,100,000	4.75 years	$0.48 (C$0.55)	3,025,000	December 27, 2011
15,250,000			6,175,000	

Warrants

During the three months ended March 31, 2007, warrants for 1,125,000 shares with an exercise price of $0.66 (£0.35) expired unexercised. The following table summarizes the outstanding and exercisable warrants at March 31, 2007:

Outstanding and exercisable	Exercise Price	Expiry date
214,350	$0.69 (£0.35)	July 20, 2007
9,375,000	$1.38 (£0.70)	July 20, 2010
9,589,350		

Stock-based compensation

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	2006
Risk-free interest rate	4.25%
Expected life	3 years
Annualized volatility	40%
Dividend rate	0%
Weighted average grant date fair value per option	$0.12

Note 8. Related party transactions

A non-executive director of the Company is an officer and director of a company which is the temporary operator of the Company's working interest in Nevada. Included in accounts payable and accrued liabilities at March 31, 2007 and December 31, 2006 were nil and $0.06 million, respectively, owed to this operator. This transaction, occurring in the normal course of operations, is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 9. Segmented information

The Company currently operates in one business segment, being the acquisition and exploration of oil and gas properties.

Operating segment

The Company's operations are directed towards the acquisition and exploration of oil and gas properties, primarily in Thailand and the United States

(All amounts are expressed in US$000s unless otherwise stated except share and per share amounts)

Note 9. Segmented information (continued)

Geographic segments

The Company's oil and gas assets as at March 31, 2007 and revenues and expenses for the period ended March 31, 2007 were as follows:

	Corporate	Thailand	United States	Total
Oil and gas assets				
Investment in Apico	-	46,090	-	46,090
Property, plant and equipment, net	1,014	67,048	1,813	69,875
Total	1,014	113,138	1,813	115,965
Operating expenses	1,111	184	-	1,295
Other items	526	(1,082)	-	(556)
Net income (loss) for the period	(1,637)	898	-	(739)

Prior to the acquisition of PetroWorld on September 25, 2006, all of the Company's operations were in Thailand.

Note 10. Subsequent events

Drilling and testing of two development wells, PH-6 and PH-7 on the Phu Horm gas field has been completed with both wells being suspended. PH-6 and PH-7 were directionally drilled from the PH-4 production well location and were expected to be completed as support wells.

Testing of the Cobble Cuesta 1-12 exploratory well which was originally drilled and suspended in October, 2006 was completed with no hydrocarbons being recovered. The Company is currently evaluating the results of the tests run on this well.

The Company acquired of a mat based jack up rig ("the Ocean 66") in April 2007 for $1.2 million.