



**COASTAL ENERGY COMPANY
ANNUAL INFORMATION FORM**

For the Year Ended December 31, 2011

Dated March 28, 2012

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Abbreviations

Oil and Natural Gas Liquids		Natural Gas	
bbl	Barrel	Mcf	thousand cubic feet
bbls	Barrels	MMcf	million cubic feet
bbls/d	barrels per day	Mcf/d	thousand cubic feet per day
NGLs	natural gas liquids	MMcf/d	million cubic feet per day
		m	thousand
		mm	million

Other Abbreviations

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 is derived by converting natural gas to oil in the ratio of six thousand cubic feet of gas to one barrel of oil (6 Mcf: 1bbl)
Btu	British thermal unit
cubic feet	a volume measuring one foot high by one foot long by one foot deep
mboe	1,000 barrels of oil equivalent
mmboe	million barrels of oil equivalent
\$MM	millions of dollars
scf	standard cubic feet
WTI	West Texas Intermediate, the reference price paid in US dollars at Cushing, Oklahoma for crude oil of standard grade

Use of Barrels of Oil Equivalent

Please note that the use of “boe” may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

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	6.290
feet	Meters	0.305
meters	Feet	3.291

Glossary of Technical Terms & Definitions

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

1P Proved reserves.

2P Proved reserves + probable reserves.

Condensate A mixture of pentanes and heavier hydrocarbons recovered as liquid from field separators, scrubbers or other gathering facilities, or at the inlet of a processing plant before the gas is processed.

Development well A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

Exploratory well A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir.

Hydrocarbons	Solid, liquid or gas made up of compounds of carbon and hydrogen in varying proportions.
Natural Gas Liquids	Those hydrocarbon components that can be recovered from natural gas as liquids, including, but not limited to, ethane, propane, butanes, pentanes plus, condensate, and small quantities of non-hydrocarbons.
Proved reserves	Those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
Probable reserves	Those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.
Reserves	The estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be subclassified based on development and production status.
Royalties	A payment to the government or others, usually expressed as a percentage of total hydrocarbon production.

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. APICO LLC is a United States limited liability company which holds certain working interests in onshore Thailand, and in which the Company holds a 36.1% interest.
“Company”	Coastal Energy Company. The Company is a Cayman Islands corporation, formerly known as PetroWorld Corp.
“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 effected a reverse stock split of its Common Shares with a conversion ratio of one share new for every four old shares. 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
“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 and a wholly-owned subsidiary of the Company.

“PCA”	a petroleum concession agreement granted by the Kingdom of Thailand Ministry of Energy under which a Concessionaire may explore, develop and produce hydrocarbons
“Reverse Takeover”	the September 25, 2006 acquisition by the Company of all the outstanding stock of NuCoastal, which was accounted for as a Reverse Takeover
“RPS Report”	the report of Cambrian Consultants America, Inc. dba RPS, part of RPS Group, Plc dated March 26, 2012, evaluating the onshore crude oil, natural gas liquids and natural gas reserves of the Company as at December 31, 2011
“TSX-V”	the TSX Venture Exchange in Canada
“TSX”	The Toronto Stock 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, 2011 and March 28, 2012 were:

	<u>December 31, 2011</u>	<u>March 28, 2012</u>
US\$1.00	C\$1.0170	C\$0.9984
US\$1.00	£0.6437	£0.6307
C\$1.00	US\$0.9833	US\$1.0016
C\$1.00	£0.6330	£0.6318

Preliminary Notes

Date of Information

Unless otherwise indicated, all information contained in this Annual Information Form (“AIF”) of the Company is as of December 31, 2011. References to the Company include Coastal Energy Company and its subsidiaries and affiliates.

Financial Information

All financial information in this AIF is prepared in accordance with International Financial Reporting Standards (“IFRS”). 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 issued authorized shares of the Company’s common stock (the “**Consolidation**”) through a reverse stock split with a conversion ratio of one new share for every four old shares. The Company kept its stock symbol on the AIM exchange as “**CEO**” following the consolidation; however as a result of the 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 expected 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, future hydrocarbon prices, 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 3.5 ("**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. The Company's registered office is located at Walker House, 87 Mary Street, P.O. Box 908GT, KY1-9001, 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 traded on the TSX-V under the trading symbol "**CEN**" through July 4, 2011. Effective July 5, 2011 the Company's Common Shares were listed for trading on the TSX under the trading symbol "**CEN**" and simultaneously delisted for trading on the TSX-V. The Company is a reporting issuer in each of the Provinces of British Columbia, Alberta and Ontario.

1.2 Inter-corporate Relationships

As of December 31, 2011, the Company directly owned the following eight (8) 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;
- CEC Equipment, Ltd. – incorporated under the laws of the Cayman Islands;
- CEC International, Ltd. – incorporated under the laws of the Cayman Islands;
- CEC Services (Thailand) Ltd. - incorporated under the laws of the Kingdom of Thailand; and
- Ocean 66 Ltd. - incorporated under the laws of the Republic of Mauritius.

The Company indirectly owns 50% of Viking Storage Solutions (Mauritius) Limited, a Mauritius corporation. VSSM owns a floating storage and offloading vessel (FSO) which has been chartered to the Company for use at its Bua Ban field in the Gulf of Thailand. Under IFRS, the Company consolidates VSSM for financial reporting purposes.

In addition, the Company indirectly owns 36.1% of APICO, which owns a 35% working interest in the Sinphuhorm gas field onshore Thailand. In February 2012, the Company acquired an additional 2.9% interest in APICO, thus increasing its overall interest to 39% of APICO. The Company has one of three seats on the APICO Board of Directors. Under IFRS, the Company accounts for this interest under the equity method of accounting.

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. As of December 31, 2011 and March 28, 2012, the Company had a market capitalization of US \$1,698.0 million and US \$1,801.9 million, respectively.

Due to the significance of the Reverse Takeover of NuCoastal by the Company, the brief histories of both the Company and NuCoastal, and descriptions of events that have influenced the general development of both companies over the past eight years, are provided below.

2.1 NuCoastal (prior to the Reverse Takeover)

On April 21, 2003, NuCoastal was incorporated in Thailand as a private company.

On July 17, 2003, NuCoastal was granted PCA No. 7/2546/64 covering Block G5/43 in the Gulf of Thailand, which initially covered approximately 17,110 square kilometers 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 January 25, 2005, the Company's common shares were admitted to trading on the AIM Exchange under the trading symbol "PWC." See Item 6 for more information.

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 "**2005 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 2005 Placement was used to repay a £2.3 million (US\$4.3 million) loan facility from parties unrelated and related to the Company.

In August 2005, the Company and NuCoastal completed a 3 well appraisal drilling program on the Bua Ban Field, located in Block G5/43 in the Gulf of Thailand,

On September 16, 2005, the Company's common shares were admitted to trading on the TSX-V Exchange under the trading symbol "PWD." See Item 6 for more information.

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, USA.

2.3 Coastal Energy Company (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 from its sole shareholder in consideration for the issuance of 37,915,830 Common Shares. The Reverse Takeover resulted in control of the Company passing to the holder of the NuCoastal shares. The Reverse Takeover was completed for a total value of \$33.8 million in stock and resulted in control of the Company passing to the holder of the NuCoastal shares. In accordance with Canadian GAAP, this transaction has been accounted for as a reverse takeover, with NuCoastal being identified as the acquirer for accounting purposes.

The Company acquired 106,278 shares (representing a 10.63% interest) of APICO from PH Gas L.P. ("PHG") in exchange for 9,104,890 Common Shares of the Company, increasing the Company's interest in APICO to 36.1% (the "APICO Acquisition").

- The Company completed a public offering (the "**2006 Offering**") of 15,750,000 Common Shares, 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 exchange 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 2006 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 November 30, 2006, production commenced from the Sinphuhorm gas field located in northeast Thailand. Sinphuhorm supplies the Nam Phong power plant (owned by PTT Public Company) with natural gas under a 15 year gas sales agreement.

On July 3, 2007, the Company entered into a \$50 million borrowing base credit facility arranged by Sumitomo Mitsui Banking Corporation Europe Limited.

On October 30, 2007, the shareholders of the Company approved the Consolidation, resulting in a reduction of the Company's issued and authorized Common Shares through a reverse stock split with a conversion ratio of one new share for every four old shares. The Consolidation 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 remained "CEO." The Company's ISIN number was changed to KY G224041189 to reflect this change.

On December 19, 2007, the Company was awarded PCA No. 9/2550/85 covering Block G5/50 in the Gulf of Thailand, 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 new 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.

In June 2008, the Company received Thai Government approval of the Production Area Application for the development of its Songkhla field in the Gulf of Thailand. The production license covers a 75 sq km area and encompasses Songkhla and all of its identified satellite structures.

On November 13, 2008, the Company received Thai Government approval of its Environmental Impact Assessment ("**EIA**") for the Songkhla production area in the Gulf of Thailand.

On January 22, 2009, the Company received Thai Government approval of its 282 square kilometer production area application for the Bua Ban field. The Bua Ban production license covers the Bua Ban field and nine identified satellite prospects.

On January 23, 2009, the Company completed a \$10 million offering of 15% senior unsecured notes maturing January 23, 2010. The Company issued warrants for two million common shares with a strike price of Cdn \$1.136 expiring January 23, 2014 as part of this offering. The Company redeemed all outstanding notes in December 2009.

On March 3, 2009, first production commenced from two wells at the Songkhla field. Two additional development wells were drilled at Songkhla in Q4 2009.

In June 2009, the Company completed a sale of 5,750,00 common shares in an equity offering underwritten by Thomas Weisel Partners Canada Inc. and Paradigm Capital Inc., at a price of C\$3.20 per common share, with gross proceeds of C\$18.4 million.

In November 2009, the Company completed a sale of 6,900,000 common shares in an equity offering co-led by Macquarie Capital Markets Canada Ltd, Canaccord Capital Corporation, and Thomas Weisel Partners Canada at a price of C\$5.00 per common share, with gross proceeds of C\$34.5 million.

In June 2010, the Company commenced development of the Bua Ban Field. Production from the first three wells commenced in July 2010. The Company continued development of the field throughout the third quarter of 2010.

In September 2010, the Company entered into an \$80 million borrowing base credit facility arranged by BNP Paribas, which refinanced all of the Company's outstanding debt at the time.

In March 2011, the Company announced the completion of a secondary offering of 4,000,000 common shares at a price of C\$7.10 per common shares by Oscar S. Wyatt, Jr., the Company's largest shareholder and Forrest E. Wylie, a director of the Company. This offering was led by Macquarie Capital Markets Canada Ltd., and included Paradigm Capital Inc. The Company received no proceeds from the offering.

In March 2011, the Company announced discoveries in Bua Ban North A & B fields and commenced development of these fields.

In June 2011, the Company announced that the Toronto Stock Exchange (TSX) had conditionally approved the listing of the Company's common shares.

On July 5, 2011, the Company's common shares were listed for immediate trading on the Toronto Stock Exchange (TSX) under the ticker symbol "CEN" and were simultaneously de-listed for trading on the TSX Venture Exchange.

In August 2011, the Company announced the commencement of production from the Bua Ban North A & B fields.

In February 2012, the Company announced a successful discovery of natural gas in Block L27/43 onshore Thailand. This property is held by the Company through its investment in APICO.

In February 2012, the Company announced the acquisition of an additional 2.9% interest in APICO, which was currently held by a minority partner. The acquisition was for US\$9.25 million in cash and will increase the Company's interest in APICO to 39%.

Item 3 Description of Business

3.1 General

The Company believes that over the next several years, the oil and gas sector will be focused on capital investment and expanding opportunities for development based on growing demand and increasing commodity prices. The Company's strategy is to invest in opportunities in oil and gas related industries. These investments might include acquisitions of interests in proved oil and gas properties and/or exploration prospects, or acquisitions of interests in companies in oil and gas related industries.

The Company's oil and gas properties and assets consist of the following ownership interests in petroleum concessions awarded by the Kingdom of Thailand:

Petroleum Concession	Net Coastal Interest
Gulf of Thailand	
Block G5/43	100.0%
Block G5/50 (within the boundaries of Block G5/43)	100.0%
Onshore Thailand (via the Company's 39.0% ownership of APICO)	
Blocks EU-1 and E-5N containing the Sinphuhorm gas field	13.7%
Block L15/43 (surrounding the Sinphuhorm gas field)	39.0%
Block L27/43 (southeast of the Sinphuhorm gas field)	39.0%

Production commenced from the Sinphuhorm gas field onshore Thailand in November 2006. Coastal has a 13.7% (12.6% at December 31, 2011) working interest in this field via its ownership of APICO. Current production from Sinphuhorm is averaging 78 mmcf/d of natural gas and 357 bbl/d of condensate.

Production from the Songkhla oil field in the Gulf of Thailand (Coastal 100% working interest) began in February 2009. Current production from the field is averaging 4,750 bopd.

Production from the Bua Ban oil field in the Gulf of Thailand (Coastal 100% working interest) began in July 2010. Current production is averaging 1,300 bopd.

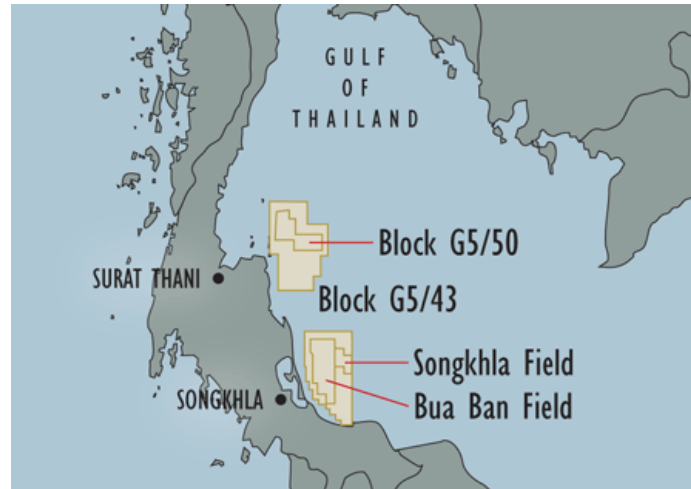
Production from the Bua Ban North A & B oil field in the Gulf of Thailand (Coastal 100% working interest) began in August 2011. Current production is averaging 16,600 bopd

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, 2011, the Company had offices in George Town, Cayman Islands; Bangkok, Thailand, and Houston, Texas, USA. At year end the Company had 49 full-time statutory and 19 full-time contract employees.

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 a 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 currently encompasses an area of approximately 4,109 square kilometers off the eastern coast of Thailand and covers three tertiary basins. Water depths in Block G5/43 range up to 30 meters. Under the terms of the Concession agreement, the Company relinquished approximately 8,615 square kilometers of G5/43 back to the Kingdom of Thailand in July 2007 and a further 4,028 square kilometers in July 2009. 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.

Production from the Songkhla field began in February 2009, production from the Bua Ban field began in July 2010 and production from the Bua Ban North A & B field began in August 2011. Current production is averaging approximately 22,650 bopd combined. Total offshore 2P reserves as of December 31, 2011 were 79.9 million barrels.

The Company has received production licenses for both the Songkhla and Bua Ban fields and their surrounding satellite structures. The two production licenses encompass a combined area of 347 square kilometres. These production licenses allow the Company to develop the acreage contained on each license over a period of 20 years.

The PCA provides for the payment of various fees in connection with petroleum production from the Concession Area, including royalties ranging from 5% to 15% of the value of petroleum sold or disposed of during a month, the amount of such royalties depending on the volume of all types of petroleum produced.

The Company's economic interest in the G5/43 Concession is burdened by net profits agreements ("NPA") with two other companies, which call for its payment of a certain percentage of the future "net profits" (defined generally as being revenue realized versus costs incurred) earned under the terms of the PCA. Those NPA call for the payment of (a) 2.5% (.025) of G5/43 net profits to Elk Petroleum Thailand, LLC, and (b) an additional 1% (.01) of G5/43 net profits to Auldana Advisors Corporation.

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 currently encompasses an area of approximately 270 square kilometers off the east coast of Thailand within the boundaries of the Company's Block G5/43. Water depths in Block G5/50 range up to 30 meters. Under the terms of this concession agreement, the Company relinquished 284 square kilometers back to the Kingdom of Thailand effective 29 February 2012.

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 the Company 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
	Incidental costs	<u>US\$ 100,000</u>
Total		<u>US\$1,575,000</u>

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

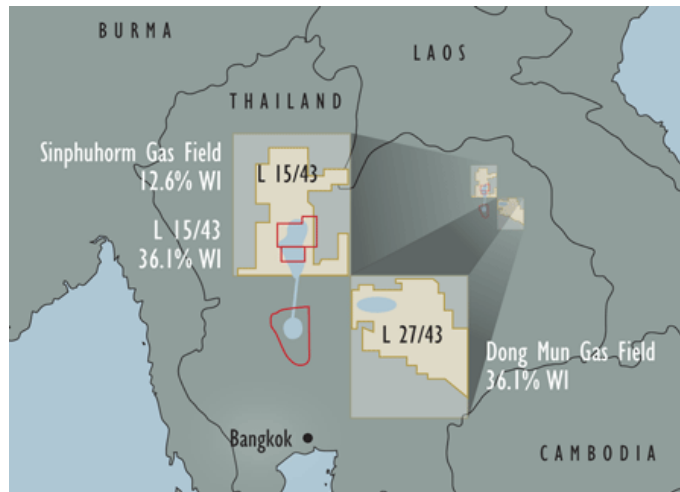
Fourth Year (2011)		
Fifth Year (2012)	3-D seismic survey, processing	US\$1,750,000
	Geological studies	US\$ 250,000
Sixth Year (2013)	Drill one well	US\$2,500,000
	Geological studies	US\$ 250,000
	Incidental costs	<u>US\$ 200,000</u>
Total		<u>US\$4,950,000</u>

The Company satisfied all requirements of the First Obligation Period save the original 2010 drilling requirement for US \$2.5 million. Due to delays in the environmental permitting process, the required well could not be drilled. As a result, the Government has agreed to move the drilling requirement into the second Obligation Period.

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. If commercial hydrocarbon reserves are discovered on the G5/50 block before the end of the last exploration period, then the Company may also apply for a petroleum production license 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.

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(b) **Onshore Thailand Properties**



The Company holds a consolidated interest in APICO of 39.0% (36.1% at December 31, 2011.) The below net interest figures are a result of the Company's ownership in APICO.

Blocks EU-1 and E5-N (Sinphuhorm Gas Field)

The Company holds a net 13.7% (12.6% at December 31, 2011) working interest in Blocks EU-1 and E5-N, containing the Sinphuhorm gas field ("Sinphuhorm") located in northeast Thailand.

Production at the Sinphuhorm gas field commenced in November 2006. The Field supplies the Nam Phong power plant under a 15 year Gas Sales Agreement with PTT Public Company Limited. Coastal's net interest of 13.7% is held through its equity investment in APICO which holds a 35% interest in Sinphuhorm. In the fourth quarter of 2011 the Sinphuhorm filed delivered approximately 52.4 mmcf/d (6.6 mmcf/d net to Coastal) to Nam Phong. The field also produced 251 bbl/s (32 bbl/d net to Coastal) of condensate. The depressed volume in the fourth quarter was due to decreased demand as a result of the severe flooding in Thailand in the third and fourth quarters of 2011. In early 2012, demand has begun to accelerate as factories are returning to full production and the country is rebuilding. As of December 31, 2011, Sinphuhorm has 2P gas reserves of 131 billion cubic feet ("bcf") and 683 mbbbls of condensate net to Coastal (before royalties and the increased ownership interest).

Exploration Blocks (L27/43 and L15/43)

Coastal holds a net 39.0% (36.1% at December 31, 2011) working interest in Block L27/43 (operated by APICO), which is located southeast of the L15/43 concession, which contains the Dong Mun gas field. In February 2012, the Company announced a successful discovery of natural gas in this concession.

The Company has a net 39.0% (36.1% at December 31, 2011) working interest in Block L15/43 (operated by APICO), which surrounds the Sinphuhorm gas field.

3.3 Discontinued Operations

The Company has no material discontinued operations.

3.4 Reserves and Other Oil and Gas Information

The Company's reserves as of December 31, 2011 were evaluated by RPS, in their report dated March 26, 2012 (the "**RPS Report**").

RPS has confirmed to the Reserve Committee of the Company's Board of Directors that its report was prepared in accordance with the standards contained in the COGE Handbook and the reserves definitions contained in NI 51-101 – Standards of Disclosure for Oil and Gas Activities.

The Company has filed Forms NI 51-101F1, NI 51-101F2 and NI 51-101F3 using information from the RPS Report. These forms may be found under the Company's profile on SEDAR at www.sedar.com.

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 Board of 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 therefrom (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 began publicly trading at the time of its admission to the AIM (the "**Admission**"), they are not 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 fluctuate, 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 prices of oil and gas,
- large purchases or sales of shares,
- liquidity (or absence of liquidity in the shares) in the Common Shares,
- currency fluctuations, or
- changes in market sentiment toward 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, some 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. A small percentage of properties that are explored are ultimately developed into producing oil and gas fields.

Substantial expenditure is required to establish the presence of oil and gas reserves through seismic surveys and exploratory 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 factors, such as:

- the unavailability, or prevailing cost, 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 economically 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 success of any proposed exploration work undertaken by the Company is based on certain assumptions with respect to the method and timing of exploration. By nature, these estimates and assumptions are subject to significant uncertainties and the actual costs may therefore materially differ from 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. For example, the Company may not be able to transport the oil or gas to commercially viable markets at a reasonable cost, or it may not be able to sell the oil or gas to customers at a price and quantity which would exceed 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 areas in which it has an interest. Such exploitation requires the obtainment of production and environmental licenses from the relevant authorities, and such authorities may also discretionarily set additional conditions, depending on the nature of a proposed development. It may or may not be possible for such conditions to be satisfied.

Because the Company's projects are, and will be, subject to various permission and clearances by governmental authorities, and because the Company cannot dictate the pace at which the Government reviews/approves the Company's application(s) for such permits/clearances, the Company has limited control over the nature and timing of exploration and development of its oil and gas properties or the manner in which development operations are conducted on such properties.

Operating risks

Industry risks during exploration and production operations include the risk of:

- fire,
- explosion,
- offshore storm damage,
- encounter of abnormally pressured formations and well blow-out,
- pipe or equipment failure,
- environmental hazards such as accidental spills or leakage of petroleum liquids,
- gas leaks, and
- ruptures or discharges of toxic gases.

The occurrence of any of these could result in substantial losses to the Company due to:

- potential liabilities for injury or loss of life;
- severe damage to or destruction of the Company's assets, including, production facilities, natural resources and other equipment;
- potential liability for pollution or other environmental damage, including clean-up responsibilities; and
- the cost and attendant delay resulting from regulatory investigations, including the potential for penalties and suspension of operations.

Damages and expenses occurring as a result of such risks may give rise to claims against the Company or lost or deferred production revenue, which may not be recovered, in whole or part, by insurance or other indemnities.

Limited operating history

Although the Directors have experience in the acquisition, development, operation and sale of assets similar to the Company's properties assets, 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.

Operating losses

The Company incurred losses from its inception through year end 2009. In 2010, the Company reported its first full year operating profit. The Company began receiving direct revenue from offshore production in late 2008, which increased substantially in 2009, 2010 and further in 2011. The Company also receives dividends from its interest in APICO on a regular basis. Since the Company may invest in other unproved properties, it is possible that the Company will return to an operating loss in future years and will not generate revenue sufficient to pay the ongoing expenses of these future investments.

Should the Company, at some point in the future, find itself unable to generate sufficient revenue from the operations of its properties to cover its expenses, without further funding the Company may be forced to discontinue operations, in which case any purchasers of the Common Shares would lose their investment.

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 prices of oil and gas can change rapidly and significantly, and this can have a substantial effect on the value of the Company's production and 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 discoveries 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, local and export markets for oil and gas production, 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 current operations. Additionally, oil and gas prices could affect the viability of exploring and/or developing the Company's interests.

The Company currently hedges approximately 15% of its total production as a requirement of its revolving credit facility. Please see the Company's MD&A and Financial Statements prepared as of December 31, 2011 for a detailed description of these hedging agreements.

Resource and reserve estimates

Although oil and gas has been discovered in commercial quantities in the areas in which the Company holds interests, 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 undeveloped prospects license areas in which the Company holds interests should not be taken to imply that any hydrocarbon resources are present in these structures, or if present, that such resources will lead to economically-viable developments.

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 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 affect 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. 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 comply 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 financial liabilities.

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 that 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.

Competition

The Company will compete with other companies, including major oil and gas exploration and production companies, for new exploration and production licenses. 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.

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 world market price of hydrocarbons, and thus the Company's revenues, are denominated in United States dollars. The Company is subject to inflation in the countries in which it operates (which impacts the cost of its exploration, production, procurement and marketing operations) and to fluctuations in the rates of currency exchange between the United States dollar and the currencies of these other countries. 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 hedged a portion of its potential risk via interest rate swaps.

Title and payment obligations

The concessions in which the Company has or may acquire an interest will be subject to applications for grant or renewal (as the case may be). The grant or renewal of the term of each concession is usually at the discretion of the relevant government authority. If a concession is not granted or renewed, 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 PCAs 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 material adverse effect on the Company.

APICO financial reporting

The Company accounts for its 36.1% (increased to 39.0% in 2012) 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 Operating Agreement on a timely basis. While the Company has one of three seats on the APICO 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, key vendors and contractors, potential farm-in parties, and financial entities, 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 may be 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:

- 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;
- 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;
- insolvency or other managerial failure by any of the contractors used by any joint venture or farm-in partner in its exploration activities; and
- 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, APICO, and the operator(s) of any joint venture in which it may participate, 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 policy(ies) 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 partially covered, by insurance could have a material 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 best interest 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 although there currently are no such lawsuits. 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. In addition to equity and debt sources of capital, 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 tax status of the Company or the tax applicable to capital gains or dividends of shareholders or other changes 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.

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 114,225,476 Common Shares are issued and outstanding as of March 28, 2012. Each member of the Company is entitled to one vote for each Common Share held by such member. Each member is also entitled to dividends which may be declared by the Board of Directors and to share in the Company's assets upon dissolution or winding up of the Company.

Item 6 Market for Securities

The Company's common shares were listed on the TSX-V on September 16, 2005, and traded 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 Consolidation. The Company's common shares were listed on the TSX effective July 5, 2011 and were simultaneously de-listed on the TSX-V. Its trading symbol on the TSX remains "**CEN**."

The Company's common shares were listed on the AIM Market of the London Stock Exchange on January 25, 2005, and traded under the symbol "**PWC**". Trading on AIM was halted on March 31, 2006 and resumed on September 25, 2006. Effective October 4, 2006, the Company's AIM 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 / TSX and AIM exchanges for the 12 months ended December 31, 2011 are in the table below.

	<u>Common Share Trading Price Range & Aggregate Volume</u>					
	<u>Toronto Stock Exchange – TSX-V / TSX</u>			<u>London Stock Exchange - AIM</u>		
	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>	<u>High (pence)</u>	<u>Low (pence)</u>	<u>Volume</u>
2011						
January	7.300	5.880	7,723,123	465.000	392.250	139,300
February	8.200	6.410	6,975,657	515.000	408.000	142,800
March	7.800	6.250	6,372,126	477.750	412.500	480,200
April	6.880	5.670	5,667,035	435.600	370.080	912,400
May	6.950	5.790	2,591,457	422.500	368.000	139,200
June	7.950	6.520	3,752,604	545.000	412.000	120,900
July	10.340	7.900	6,669,487	640.000	516.000	236,300
August	11.000	8.220	6,458,788	700.000	501.010	203,400
September	11.650	9.260	6,556,700	769.000	583.850	476,600
October	12.540	7.720	6,440,988	768.230	485.000	226,900
November	14.500	11.190	6,714,615	909.000	680.630	424,300
December	15.380	12.570	4,463,365	998.000	800.000	288,200

Note: The Company was listed on the TSX-V from January 1 to July 4, 2011 and was listed on the TSX from July 5 through December 31, 2011

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	Principal Occupation for Past Five Years
Randy L. Bartley ⁽⁵⁾ Sugar Land, Texas, USA	February 6, 2008	Chief Executive Officer and President of the Company; Prior to February 2008, Founding partner and COO of Erskine Energy LLC
C. Robert Black ⁽¹⁾⁽²⁾⁽⁴⁾ Horseshoe Bay, Texas, USA	September 25, 2006	Retired in May 1999; prior thereto, senior executive with Texaco, Inc.
Andrew L. Cochran ⁽¹⁾⁽²⁾⁽⁴⁾ The Hague, Holland	July 22, 2011	Chief Executive Officer of Dominion Petroleum Limited from November 2009 to January 2012; Director, Business Development of Salamander Energy from April 2004 to January 2009
Olivier de Montal ⁽²⁾⁽³⁾ Geneva, Switzerland	September 25, 2006	Director of FINNET INVEST, ODM Finance, Loze & Associés and Compagnie des Produits de Gascogne, Advisor to the LVMH Group and Chief Executive Officer of ODM Development
William C. Phelps Houston, Texas, USA	March 25, 2011	Chief Financial Officer of the Company. Mr. Phelps was previously Chief Financial Officer of NuCoastal (Thailand) Limited.
Lloyd Barnaby Smith ⁽³⁾⁽⁴⁾ Richmond, United Kingdom	September 25, 2006	United Kingdom ambassador to Thailand from February 2000 to July 2003
John Zaozirny ⁽¹⁾⁽³⁾ Calgary, Alberta, Canada	June 28, 2005	Vice-Chairman of Canaccord Genuity Corp.

Notes:

- ⁽¹⁾ Member of the Audit Committee
- ⁽²⁾ Member of the Compensation Committee
- ⁽³⁾ Member of the Corporate Governance & Nominating Committee
- ⁽⁴⁾ Member of the Reserves Committee

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.

Senior Management

Name and Municipality of Residence	Office	Date of Appointment	Principal Occupation for Past 5 Years
Lloyd B. Smith London England	Non-Executive Chairman of the Board	April 18, 2011 (Board member since 2006)	Business Consultant; Former U.K. Ambassador to Thailand
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 Houston, Texas, USA	Chief Financial Officer	September 25, 2006	Chief Financial Officer of NuCoastal Corporation.
John M. Griffith Bangkok, Thailand	VP, Thailand Operations	February 23, 2008	Drilling Manager for Erskine Energy LLC

As at March 28, 2012, the Directors and executive officers of the Company beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 3,689,318 ordinary shares, representing approximately 3.23% of the Company's 114,225,476 issued and outstanding Common Shares.

Oscar S. Wyatt, Jr. currently owns 30,069,580 Common Shares of the Company (or approximately 26.32% of the Company's outstanding Common Shares). 18,641,597 of these Common Shares (or approximately 16.32% of the Company's outstanding Common Shares) are currently subject to a Voting Trust Agreement and the voting rights attached thereto are exercised by four (4) of the Company's outside directors (the "**Attorneys**").

8.2 Conflicts of Interest

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

8.3 Cease Trade Orders, Bankruptcies Penalties or Sanctions

No director or officers of the Company is or within the 10 years before the date of this AIF has been, a director or executive officer of any other issuer that, while such person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied such other issuer access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the Corporation being the subject of a cease trade order or similar order or an order that denied the relevant issuer access to any exemption order under Canadian securities legislation, for a period of more than 30 consecutive days.

No director, executive officer or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, or within the 10 years before the date of this AIF has been, a director or executive officer of any other issuer that, while such person was acting in that capacity within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

No director, executive officer or shareholder holding a sufficient number of the Company securities to affect materially the control of the Company has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

No director, executive officer or shareholder holding a sufficient number of the Company's securities to affect materially the control of the Company has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or has entered into a settlement agreement with a Canadian securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision. See item 10 below.

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

As discussed in Item 2.3 above, the Company originally issued 37,915,831 Common Shares to Oscar S. Wyatt, Jr. in consideration for all the issued and outstanding shares of NuCoastal. The Company issued an additional 853,750 Common Shares to Mr. Wyatt in consideration of funds advanced to APICO. Mr. Wyatt has since reduced his holdings to 30,069,580 Common Shares. As a condition of the Reverse Takeover discussed in Item 2.3 above, Mr. Wyatt's ability to vote his shares was limited to 10% of the current issued and outstanding Common Shares of the Company. His holdings of Common Shares of the Company in excess 10% is voted by a Voting Trust discussed in Item 8 above. The Voting Trust is composed of four (4) of the Company's outside directors.

Item 11 Transfer Agents and Registrars

The registrar and transfer agent for the Common Shares in Canada is
Computershare
3rd Floor
510 Burrard Street
Vancouver, BC V6C 3B9

The registrar and transfer agent for the 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 Credit Facility

In September 2011, the Company entered into an \$80 million borrowing base credit facility (the "**Facility**") arranged by BNP Paribas, secured by the Company's interest in certain oil and gas properties. Proceeds were used to refinance the Company's prior outstanding debts as well as for development capital expenditures.

Offshore concession

The Company owns 100% of Block G5/43 in the Gulf of Thailand via PCA No. 7/2546/64 dated July 17, 2003. Details of this PCA can be found in Section 3.2 of this AIF.

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 3.2 of this AIF.

Item 13 Interests of Experts

The RPS Report was prepared by James W. Haag, Registered Professional Engineer, in Houston, Texas, USA. To the Company's knowledge, Mr. Haag has no registered or beneficial interests, direct or indirect, in any securities or other property of the Company.

The auditors of the Company are Deloitte & Touche LLP, Chartered Accountants, Calgary, Alberta. Deloitte & Touche LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

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 "A".

Composition of Audit Committee

The Company's Audit Committee is comprised of C. Robert Black, Andrew L. Cochran and John Zaozirny, all of whom are financially literate, as such term is defined in MI 52-110. All committee members 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 76)

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.

Andrew L. Cochran (Age 42)

Andrew L. Cochran is a non-executive director of the Company. Mr. Cochran served as Chief Executive Officer of Dominion Petroleum Ltd. (AIM: DPL) from November 2009 to January 2012. He has over 20 years of international experience in the oil and gas industry, including founding and executive positions with Salamander Energy (LSE: SMDR) and Endeavour International Corporation (NYSE: END) and working for Anadarko Petroleum, Veritas DGC Indonesia, and Western Geophysical. Mr. Cochran holds a Bachelor of Arts in Economics and Politics from Tulane University.

John Zaozirny (Age 64)

John Zaozirny is a non-executive director of the Company. He is Vice-Chairman of Canaccord Genuity Corp. 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.

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, 2011 and 2010:

(\$ thousands)	2011	2010
Audit Fees	\$585	\$395
Audit-Related Fees	217	232
Tax Fees	-	48
Consulting Fees	73	125
All Other Fees	-	-
Total	\$875	\$800

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.

Consulting fees were paid for services rendered to the Board's Compensation Committee.

Item 15 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 June 10, 2011. Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the year ended December 31, 2011.

This and other information relating to the Company may be found on the Company's website at www.CoastalEnergy.com or under the Company's profile on SEDAR at www.sedar.com.

Appendix A – 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 non-audit 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 later 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.