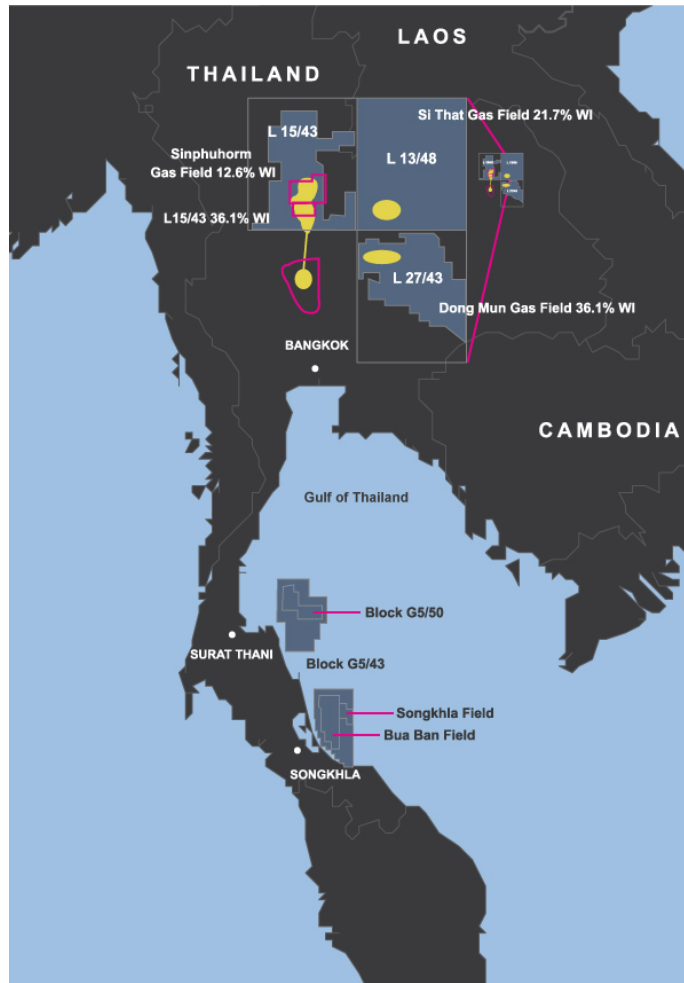


COASTAL ENERGY COMPANY
QUARTERLY REPORT
March 31, 2012



Three Months Ended March 31, 2012 and 2011



Coastal Energy's Oil & Gas Interests

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President's Report to the Shareholders

Dear Fellow Shareholders:

The first quarter of 2012 built on the success we achieved in 2011. Coastal recorded record levels of production, cash flow and profits. I am pleased to report that in the first quarter of 2012 we achieved total company production of 22,773 boepd, more than double Q1 2011 levels. This included production from the Bua Ban North "A" platform, which was brought onstream throughout the first two months of this year.

Coastal also continued to deliver exploration success during the quarter. Exploration drilling at Bua Ban South has yielded discoveries in both the Miocene and Lower Oligocene zones. The full extent of the field has yet to be determined. We have purchased production facilities for this discovery and will perform additional appraisal drilling once they are on location in the third quarter.

We made another facility acquisition in the first quarter when we purchased the previously leased facilities at Songkhla A. We plan to utilize part of our free cash flow in 2012 to continue acquiring facilities, which will dramatically reduce our fixed operating costs across all fields. It will also provide us with a substantial tax shield as we begin to incur petroleum taxes.

We feel that our assets have a tremendous amount of potential and are excited about the continued exploration and development program. The Company is currently in the market to contract a second drilling rig to accelerate this program. I am pleased with our results thus far in 2012 and we are on course to post another record year, building on the great results of 2011.

On behalf of the Board of Directors

Randy L. Bartley

President and Chief Executive Officer
May 11, 2012



Financial and Operating Highlights

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

	Three Months Ended March 31,		
	2012	2011	% Change
Financial			
Crude oil revenue	\$189,079	\$72,556	161%
EBITDAX ⁽¹⁾	\$128,439	\$42,479	302%
Per share – Basic	\$1.13	\$0.38	197%
Per share – Diluted ⁽²⁾	\$1.08	\$0.37	192%
Net Income (loss)	\$48,135	\$(2,362)	-
Per share – Basic	\$0.42	\$(0.02)	-
Per share – Diluted	\$0.40	\$(0.02)	-
Capital expenditures, excluding onshore	\$60,272	\$27,869	162%
Total Assets	\$584,341	\$399,478	46%
Working capital deficit	\$13,784	\$51,268	-
Weighted average common shares outstanding			
Basic	113,976,174	111,336,044	2%
Diluted	119,055,413	111,336,044	7%
Operations			
Operating netback (\$/bbl) ^{(1) (3)}			
Crude oil revenue	\$112.49	\$94.89	19%
Royalties	12.04	7.64	58%
Production expenses	21.54	29.06	-26%
Operating netback	\$78.91	\$58.19	35%
Average daily crude oil production (bbls) ⁽³⁾	21,031	8,199	157%

Notes:

- (1) Non-IFRS measure; see "Non-IFRS Measures" section within MD&A.
- (2) A net loss is incurred on an IFRS basis in Q1 2011, hence basic weighted averages common shares outstanding equate to the diluted weighted average common shares outstanding. This does not apply to EBITDAX. Here, the diluted weighted average common shares outstanding is 115,297,251.
- (3) Includes offshore crude oil only as onshore is accounted for using the equity method of accounting.

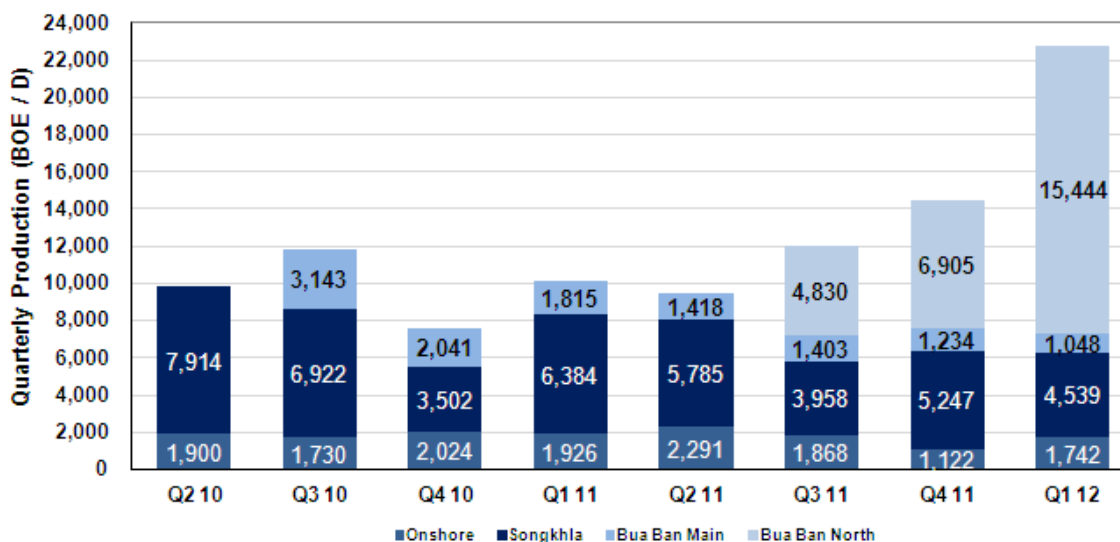
First Quarter 2012 Highlights

- The Company reported record levels of production, cash flow and earnings in the first quarter. Total Company production increased to 22,773 boe/d in the first quarter from 10,125 boe/d in the same period last year. The Company's offshore production was 21,031 bbl/d, with the increase due to the inclusion of production from both platforms at Bua Ban North. Production from the "A" platform began coming online in late December and was tied in throughout January and February. Onshore production of 1,742 boe/d increased from Q4 '11 levels as natural gas demand recovered following the flooding in Thailand in late 2011. Onshore production was below Q1 '11 due to the aftermath of the 2011 flooding as well as the power plant at Nam Phong being shut down for maintenance for approximately 5 days during the quarter.



- EBITDAX for Q1 2012 was \$128.4 million, 202% higher than the \$42.5 million recorded in Q1 2011. Revenue and EBITDAX were driven higher by increased production and commodity prices. Crude oil inventory was approximately 569,258 barrels at March 31, 2012 the revenue from which will be recognized in the second quarter. The Company added 232,924 barrels (approximately 41%) during the current quarter.
- The Company announced successful discoveries in the Miocene and Oligocene reservoirs at Bua Ban South. The discoveries have been appraised and determined to be commercial. The Company purchased production facilities for Bua Ban South and will continue appraisal drilling once they arrive.
- The Company acquired an additional 2.9% of Apico, LLC, which holds its onshore oil & gas concessions. This brings its working interest in the Sinphuhorm field to 13.7%.
- The Company successfully upsized the available capacity on its revolving credit facility to \$100.0 million from \$72.0 million.

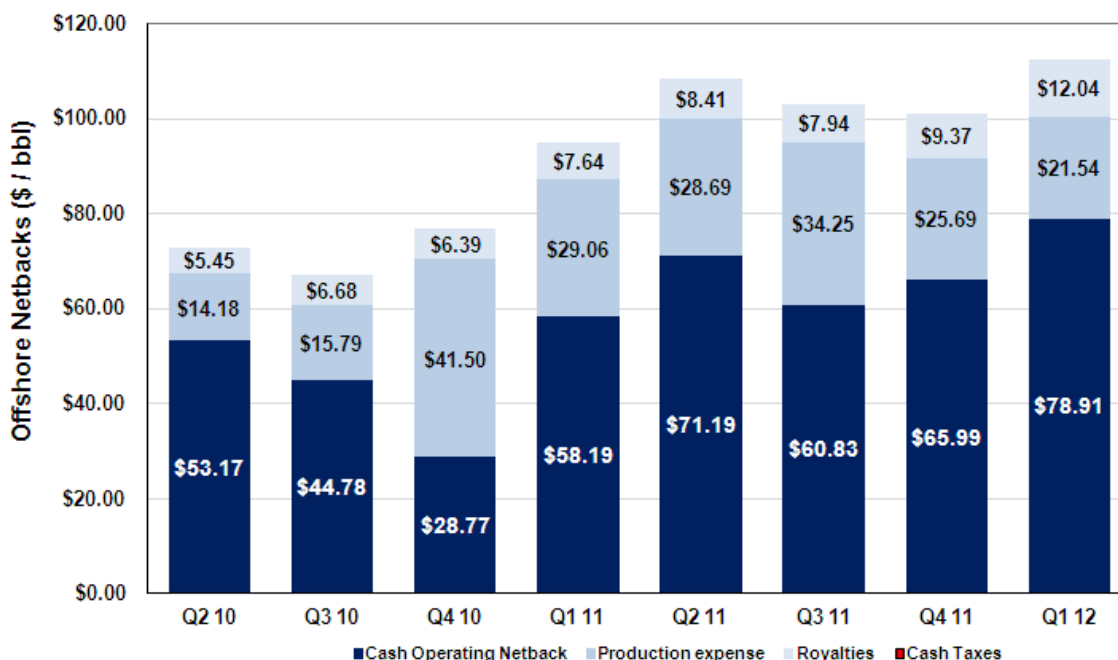
The following chart represents the Company's Average BOE/D on a quarterly basis



Note: Bua Ban North came onstream starting in August 2011

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The following chart represents the Company's cash operating netback (\$/bbl) for its offshore production over the past eight (8) quarters. Operating netback is based on sales volume and is a non-IFRS measure. See "Non-IFRS Measure" section within the MD&A.

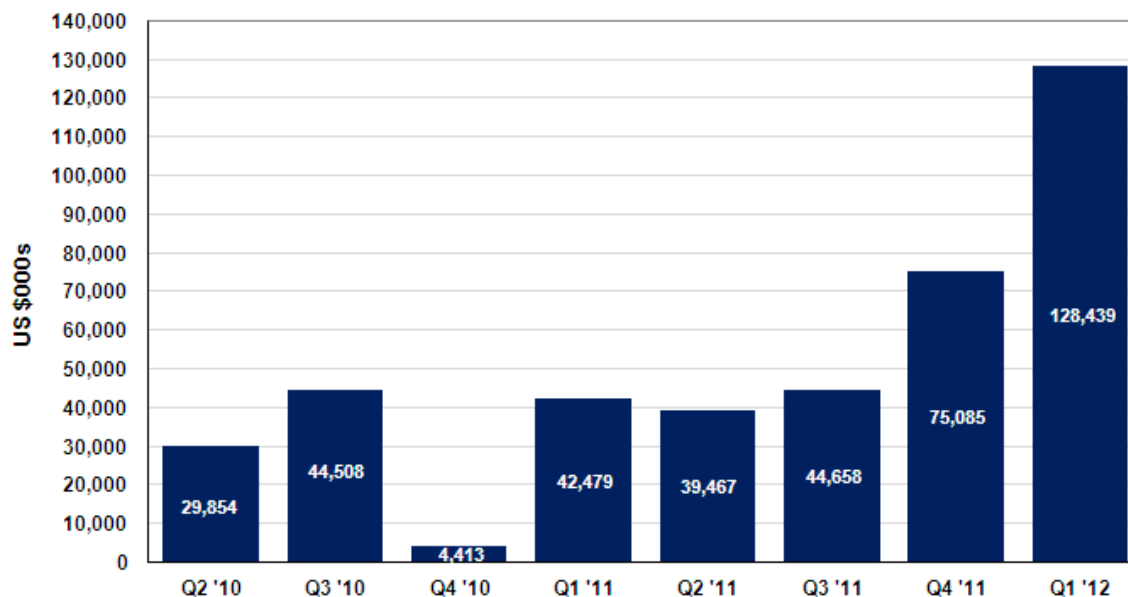


EBITDAX Computation	2012		2011				2010	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net income (loss) attributable to shareholders	\$48,135	\$18,892	\$19,013	\$11,816	\$(2,362)	\$(62,741)	\$25,077	\$12,526
Add Back:								
Unrealized loss (gain) on derivative	4,007	3,663	(15,019)	(7,744)	18,257	16,614	-	1
Realized loss on derivative (a)	5,152	5,175	3,837	8,615	2,400	1,567	-	-
Interest income	(2)	(2)	(2)	(1)	(1)	(1)	(1)	(1)
Equity-based compensation	1,414	677	587	607	618	545	615	676
Unrealized foreign exchange loss / (gain)	91	268	(337)	308	149	297	2,158	(121)
Interest expense	1,006	1,549	913	1,201	1,162	1,272	722	749
Debt financing fees	281	273	258	31	234	256	23	119
Gain on sale of assets	-	-	(873)	-	-	-	-	-
Depletion, depreciation and accretion	20,044	22,844	13,308	11,698	13,286	11,658	8,343	3,684
Taxation	48,311	20,201	22,628	12,005	3,183	(40,857)	9,872	12,669
Impairment and Settlement expense	-	-	-	-	-	10,706	-	-
Exploration	-	1,545	345	931	5,553	62,786	26	91
Other – IFRS transition	-	-	-	-	-	2,311	(2,327)	(539)
EBITDAX	\$128,439	\$75,085	\$44,658	\$39,467	\$42,479	\$4,413	\$44,508	\$29,854

Note (a) The realized loss on the derivative contracts has been added back to net income / loss since these contracts were executed as part of the debt facility with BNP Paribas and therefore considered a financing cost. This has led to a revision of the Q4 2010 and Q1 2011 EBITDAX numbers. EBITDAX is a non-IFRS measure.



The following chart represents the Company's EBITDAX on a quarterly basis in US\$000s



Operational Review

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

Oil and Gas Properties

Summary of Oil & Gas Properties	Thailand Onshore	Gulf of Thailand	Totals
Balance, December 31, 2009	\$47,261	\$276,645	\$323,906
Additions during the period, net of disposals:			
Exploration & development	1,446	176,655	178,101
Equity earnings in Apico, net of distributions	47	-	47
Depletion	-	(59,447)	(59,447)
Exploration expense	-	(8,374)	(8,374)
Amortization of excess basis in Apico	(1,056)	-	(1,056)
Balance, December 31, 2011	\$47,698	\$385,479	\$433,177
Additions during the period, net of disposals:			
Increased ownership of Apico LLC	9,250	-	9,250
Exploration & development	-	50,780	50,780
Equity earnings in Apico, net of distributions	4,136	-	4,136
Depletion	-	(21,487)	(21,487)
Amortization of excess basis in Apico	(129)	-	(129)
Balance, March 31, 2012	\$60,955	\$414,772	\$475,727



Gulf of Thailand Properties



Block G5/43 – Songkhla Basin

The Company holds a 100% working interest in Blocks G5/43 and G5/50 (the “Blocks”) in the Gulf of Thailand. The current combined area of the Blocks is approximately 5,021 square kilometres and average water depths are approximately 70 feet. Block G5/50 contains approximately 554 square kilometers of acreage within the boundaries of Block G5/43.

Bua Ban North Field

The Bua Ban North field was discovered in 2011. It was originally drilled as two separate prospects which later proved to be connected to one another. The initial exploration wells at both locations discovered significant amounts of oil in the Miocene interval. These discoveries have proven the commercial viability of the Miocene trend in the Songkhla basin.

The Company has drilled a total of 24 wells at the Bua Ban North field. To date, two horizontal development wells have been drilled and each have had initial production rates of 2,500 – 3,000 bopd. Several more horizontal development wells are planned to increase production and ultimate recovery. The next phase of drilling will commence in mid-Q2 2012.

There are currently two production facilities at Bua Ban North. Production at the “B” platform began in August 2011 and production at the “A” platform began at the first of 2012. Approximately 12 additional development wells and 1 water injector are required for full field development at Bua Ban North.

Production at Bua Ban North is currently averaging 15,500 bbl/d. As of December 31, 2011, Bua Ban North had proven and probable (“2P”) reserves of approximately 67.9 million barrels of oil.

Bua Ban South Field

The Bua Ban South field was discovered in late Q1 2012. The exploration and appraisal wells drilled in Q1 & Q2 made discoveries in the Miocene and Lower Oligocene reservoirs. The Company has purchased production facilities for the field, which are expected to arrive in Q3. Once they are installed, the Company plans to continue appraising the Bua Ban South discovery.

Songkhla Field

The Songkhla A field was the first field developed by the Company beginning in 2008. The Company is currently producing approximately 4,600 bbl/d at the Songkhla A field. Further appraisal and development drilling is scheduled for 2012. One development well and two water injectors are required to exploit the eastern area of the reservoir which was discovered in 2010. The Company obtained written environmental approval for these wells in Q1 2012.

As of December 31, 2011, Songkhla A had proven and probable ("2P") reserves of approximately 9.9 million barrels of oil.

Bua Ban Main Field

Production from the field commenced in July 2010. Two of the wells, the A-03 and A-11, both encountered oil in the Miocene reservoir. This was the first time productive Miocene sands had been encountered in the Songkhla basin and laid the foundation for the successful Miocene exploration at Bua Ban North in 2011. Production from Bua Ban is currently averaging approximately 1,300 bbl/d. As of December 31, 2011, Bua Ban had proven and probable ("2P") oil reserves of 1.3 million barrels of oil.

Songkhla H Field

In the third quarter of 2011 and in compliance with the terms of the concession, the Company drilled an exploration well at Songkhla H. This well was successful but could not be completed due to being outside the current production licenses. The Company intends to file for another production license to encompass this field. As of December 31, 2011, Songkhla H had proven and probable ("2P") reserves of approximately 0.8 million barrels of oil.

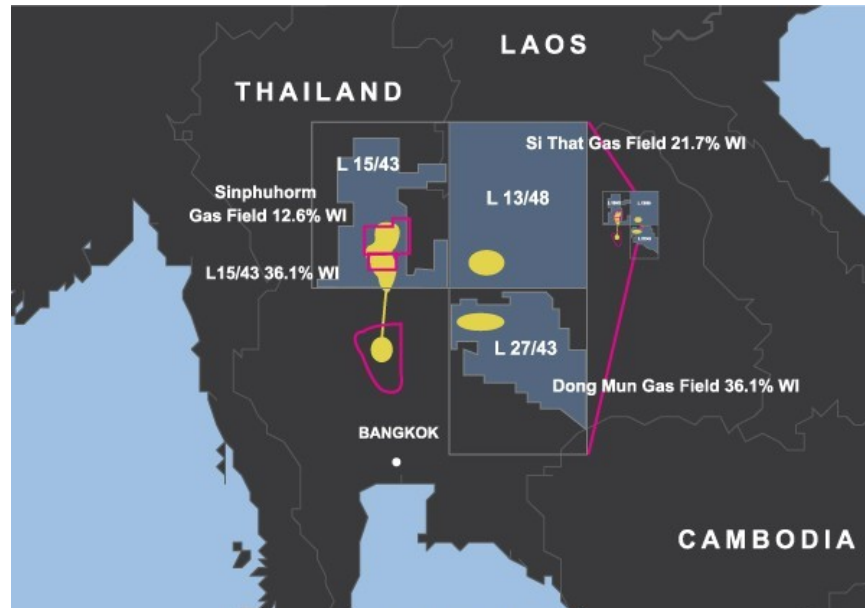
Under the terms of the concession agreement and the Thai Petroleum Act B.E. 2514, the Company is required to periodically relinquish a portion of its concession which is not protected under the Company's production licenses. The following table shows the size of the initial concession, all relinquishments made by the Company and the remaining size with respect to Block G5/43.

Activity	Date	Size in Square Kilometers
Initial grant of the concession	17 July 2003	17,110
End of concession's first exploration period (~50%)	17 July 2007	(8,615)
End of concession's second exploration period (~25%)	17 July 2009	(4,028)
		4,467

Company management used available seismic and technical data to determine the less prospective acreage which was relinquished. At December 31, 2011, total Gulf of Thailand 2P reserves are 79.9 million barrels of oil (before royalties).

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Thailand Onshore



The Company's Thailand onshore interests are held indirectly through its equity investment in Apico. Apico is considered a significantly influenced investee. Apico's petroleum concessions are located in the Khorat Plateau in north eastern Thailand.

Coastal holds a net working interest of 13.7% (up from 12.6% at December 31, 2011) in Blocks EU-1 and E-5N onshore Thailand through its 39.0% (up from 36.1% at December 31, 2011) equity investment in Apico, LLC, which holds a 35% non-operated working interest in the Blocks. Blocks EU-1 and E-5N contain the Sinphuhorm gas field. Production at Sinphuhorm commenced on November 30, 2006 to 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. In the first quarter of 2012, the Sinphuhorm field delivered approximately 74.4 mmcf/d (10.2 mmcf/d net to Coastal) to Nam Phong. The field also produced bbl/d (50 bbl/d net to Coastal) of condensate. Volumes in the first quarter were up sequentially from Q4 2011 levels as natural gas demand recovered from the flooding experienced in Thailand in Q3 2011. First quarter levels were still below year ago levels due to the aftermath of the 2011 flooding as well as approximately five days of downtime for maintenance at Nam Phong during the quarter. As of December 31, 2011, Sinphuhorm had 2P reserves of 963 billion cubic feet ("bcf") of natural gas (131 bcf net to Coastal, 22.2 mmbbl) and 5 mmbbls of oil (0.7 mmbbls net to Coastal), before royalties.

Coastal also 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. A sidetrack of the Dong Mun 3 well drilled in Q1 2012 encountered a 113 meter gas column with commercial degrees of porosity and permeability. The well flowed 15 mmcf/d of gas when tested. Further wells will be required to determine the areal extent of the Dong Mun prospect. The Company and its partners are currently evaluating a marketing plan for the gas to commercialize this prospect.

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.

Management's Discussion and Analysis

(All tabular amounts are expressed in US\$000's 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 ("Coastal" or the "Company"). This MD&A, dated May 11, 2012, should be read in conjunction with the accompanying unaudited consolidated financial statements as at and for the three months ended March 31, 2012 and related notes thereto. Additional information related to the Company is available on SEDAR at www.sedar.com.

Overview

The Company was incorporated 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 in Southeast Asia. The functional and reporting currency of the Company and its subsidiaries is the US dollar. The Company's trading symbols are "CEN" on the TSX and "CEO" on the AIM exchange.

The Company's oil and gas properties and assets consist of the following ownership interests in petroleum concessions awarded by the Kingdom of Thailand as of March 31, 2012:

Petroleum Concession	Coastal's Working Interest
Gulf of Thailand	
Block G5/43	100.0%
Block G5/50 (within the boundaries of Block G5/43)	100.0%
Onshore Thailand (via Coastal's 39.0% ownership of Apico LLC ("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%

Non-IFRS Measures

This report contains financial terms that are not considered measures under International Financial Reporting Standard principles ("IFRS") such as funds flow from operations, funds flow per share, EBITDA, EBITDAX, net debt, operating netback and working capital. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities before changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities and repay debt. EBITDA is defined as earnings before interest, taxes, depreciation, amortization and earnings from significantly influenced investee adjusted for non-cash items such as unrealized gains and losses on risk management contracts, unrealized foreign exchange gains or losses and Share-Based Compensation. EBITDAX is an industry measure equivalent to EBITDA but for the fact that it neutralizes the impact of some companies expensing rather than capitalizing exploration costs. Net debt includes short term and revolving credit facilities less cash and cash equivalents and restricted cash, and is used to evaluate the Company's financial leverage. Profitability relative to commodity prices per unit of production is demonstrated by an operating netback. Working capital represents current assets less current liabilities.

Funds flow from operations, funds flow per share, EBITDA, EBITDAX, net debt, operating netbacks and working capital are not defined by IFRS, and consequently are referred to as non-IFRS or measures. Accordingly, these amounts may not be compatible to those reported by other companies where similar terminology is used, nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with IFRS.



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.

Financial Review

The following tables are analysis of the line items in the Company's Consolidated Statements of Operations and Comprehensive Loss and are comparisons of the current quarter activities vs. the same quarter in the prior year, unless otherwise noted.

Average Daily Production (boe/d)

	3 Months ended		
	2012	March 31, 2011	Change
Songkhla	4,539	6,384	-29%
Bua Ban Main	1,048	1,815	-42%
Bua Ban North	15,444	-	-
Total Offshore Production	21,031	8,199	157%
Sinphuhorm (via Apico)	1,742	1,926	-10%
Total Company	22,773	10,125	125%

Offshore production in the first quarter increased significantly over year ago levels due to the inclusion of the Bua Ban North field, which was discovered in 2011. The Company had a majority of wells tied in as of year-end; however, the Company was still tying in production from development wells throughout the first half of Q1. The Company is planning to drill further development and water injection wells at Bua Ban North in 2012, including several horizontal development wells to increase production and recovery rates. Further appraisal and development wells are also planned at Songkhla to boost production and appraise some of the areas discovered by the Q4 2010 drilling campaign. The environmental approval to drill the additional wells at Songkhla was granted in early Q2 2012.

Onshore production recovered well from the softness in the fourth quarter due to the impact of the flooding in Thailand in Q3. Demand is returning to pre-flood levels. Q1 demand was lower year over year due to the aftermath of the 2011 flooding as well as 5 days of downtime for maintenance at the Nam Phong power plant.

The following table reconciles the Company's offshore inventory, production and liftings.

Crude Oil Inventory (bbls)

	3 Months ended		
	2012	March 31, 2011	Change
Inventory Beginning of Period	336,334	203,983	65%
+ Production	1,913,759	737,931	159%
- Sales / Liftings	1,680,835	764,602	120%
Inventory, End of Period	569,258	177,312	221%

The Company's crude oil production is stored in floating storage and offloading vessels ("FSOs") moored at the production platforms. The inventory represents crude oil produced and loaded in the FSOs, but which had not yet been off-loaded for sale at the end of the period. The Company ended the quarter with 569,258 bbls in inventory, the revenue and associated expenses of which will be recognized in the second quarter.



Oil Sales, Average Benchmark and Realized Prices (\$/bbl)

	3 Months ended March 31,		
	2012	2011	Change
Oil Sales	\$189,079	\$72,556	161%
Dubai (Benchmark - \$/bbl)	\$116.45	\$100.90	15%
Sales Price per bbl Sold (\$/bbl)	\$112.49	\$94.89	19%
Sales Price as a Percentage of Dubai	97%	94%	

Revenue increased dramatically in Q1 over the same period in 2011, driven by significantly higher production and lifting volumes as well as a 19% increase in realized pricing. The Company had 569,258 bbls of crude oil inventory at quarter end, the revenue from which will be recognized in the second quarter. This was an increase from the 336,334 bbl which were in inventory at the beginning of the quarter.

The sales price for the Company's offshore oil is based on the Dubai benchmark price. The Company is receiving a higher percentage of its benchmark crude price as it retendered for bids for the crude offtake contract. In the fourth quarter of 2011, the Company signed a 2-year agreement to sell its crude oil at a fixed \$1.75 per bbl discount to Dubai pricing effective January 1, 2012. This price includes transportation costs.

Royalties

	3 Months ended March 31,		
	2012	2011	Change
Royalties	\$20,243	\$5,845	246%
\$ per bbl	\$12.04	\$7.64	
Royalties as a percent of revenue	11%	8%	

Royalties on the Gulf of Thailand assets are paid to the Kingdom of Thailand as a percentage of revenue calculated on a sliding scale and based on monthly sales. Q1 2012 royalty rates increased in the both on a percentage basis and on a per barrel basis due to higher lifting volumes and commodity prices, respectively.

Other Income

	3 Months ended March 31,		
	2012	2011	Change
Unrealized loss on derivative contracts	\$(4,007)	(\$18,257)	-
Realized loss on derivative contracts	(5,152)	(2,400)	-
Interest income	2	1	-
Foreign exchange loss	(1,014)	(428)	-
Other	-	-	-
Other income	\$(10,171)	\$(21,084)	-52%

The Company has risk management contracts outstanding to hedge its exposure to interest rate and commodity price movements. These contracts were entered into as a condition of the Company's revolving credit facility. The Company adjusts the fair value of this risk management contract (mark to market) every quarter with the changes in fair value recognized in net earnings, as required under IFRS. Volatility in commodity pricing has translated into large swings in the Company's mark to market gains and losses. The Company realized losses of \$5.2 million in Q1 2012 quarter, which was consistent with Q4 2011.

The net derivative liability at March 31, 2012 may never be realized depending upon commodity price movements between March 31, 2012 and expiry of the final contract (March 2013).



The Company has earned negligible income on its cash balances due to the low global interest rate environment for risk-free assets and by using cash on hand as part of its capital intensive drilling program.

The foreign exchange loss is a result of the Company carrying out transactions and maintaining certain financial assets and liabilities in currencies other than the US Dollar. The primary foreign currency in which the Company transacts is Thai Baht. The Company also occasionally has transactions denominated in the Canadian Dollar, Singapore Dollar, British Pound and Euro. Included within the forex loss for Q1 2012 is unrealised losses associated with cash retranslation of \$0.8m.

Production

	3 Months ended March 31,		
	2012	2011	Change
Production expenses	\$39,667	\$19,983	99%
Effect of change in inventory	(3,457)	2,235	-255%
	\$36,210	\$22,218	63%
\$ per bbl	\$21.54	\$29.06	

The year over year increase in first quarter production expenses was driven by inclusion of a full quarter of Bua Ban North operating expenses at both the "A" and "B" platforms, and, to a lesser extent, general oilfield price inflation. First quarter operating costs declined significantly on a per barrel basis due to the production gains from Bua Ban North. Coastal expects per barrel costs to continue declining in coming quarters due to further production gains from Bua Ban North over a relatively fixed lease operating cost base.

General and Administrative Expenses

	3 Months ended March 31,		
	2012	2011	Change
Salaries and benefits	\$5,829	\$3,951	48%
Professional fees	963	359	168%
Office and general	931	434	115%
Travel and entertainment	502	342	47%
Regulatory and transfer fees	102	177	-42%
Total general and administrative expenses	\$8,327	\$5,263	58%

G&A expense increased over the same period last year primarily due to higher overhead costs and higher Salaries and Benefits. The increase in Salaries & Benefits is driven by an increase in stock based compensation as a result of the initial grants of Restricted Stock Units ("RSUs") in December 2011 and an increase in management-level headcount reflecting the growth in the Company's operations.

Professional fees have increased year over year largely due to higher reserve audit fees. These fees reflect the additional Q1 2012 audit work that needs to be performed as a result of the Company's recent discoveries. Furthermore, given the Company's rapid expansion, management has retained tax advisors to advise the Company on best practices for tax mitigation, resulting in higher Professional Fees.

Regulatory & Transfer fees are lower for the quarter as the Company incurred significant fees in 2011 associated with its graduation to the main board of the Toronto Stock Exchange.

Exploration

	3 Months ended March 31,		
	2012	2011	Change
Unsuccessful exploration costs	\$-	\$5,553	-

The Q1 2011 charge relates to a write down of costs associated with the fracture jobs on Benjarong, the results of which did not lead to commercially acceptable performance.

As a result of the Company's transition to IFRS reporting, it is now expensing dry hole costs on exploration prospects which prove to be unsuccessful.

Finance Costs

	3 Months ended March 31,		
	2012	2011	Change
Finance costs	\$1,006	\$1,162	-13%

After allowing for interest on finance leases, which were cancelled in Q2 2011, interest expense was fairly flat year over year. Total gross debt (excluding interest) at March 31, 2012 was \$50.0 million versus \$80.0 million at December 31, 2011, with the pay down of \$30.0 million of principal occurring late in Q1 2012. The Company's average interest rate for the quarter was 3.69% (2011: 4.45%).

Depletion and Depreciation

	3 Months ended March 31,		
	2012	2011	Change
Oil and gas depreciation & depletion	\$21,487	\$14,224	51%
Effect of change in inventory	(1,615)	(1,014)	59%
Corporate depreciation	172	76	126%
Depletion, depreciation, amortization and impairment expense	\$20,044	\$13,286	51%
\$ per bbl	\$11.93	\$17.38	

Overall depreciation expense increased year-on-year due to higher production rates. Depletion rates decreased on a per barrel basis due to a change in the production mix, namely the commencement of production at Bua Ban North as Bua Ban North has a much lower depletion cost per barrel than the other fields.

Taxes

	3 Months ended March 31,		
	2012	2011	Change
Current tax expense	\$36,608	\$-	-
Deferred income tax charge	11,703	3,183	-
Taxes	\$48,311	\$3,183	-

The Company's future income tax liability primarily relates to Thai taxes. Under IFRS, these taxes are calculated in Thai Baht (the payment currency) and then converted to US dollars.

Share of Net Income From Apico LLC

	3 Months ended		
	2012	March 31, 2011	Change
Coastal's 39.0% (2011: 36.1%) of Apico's net income	\$4,136	\$3,534	17%
Amortization of Coastal's excess basis	(129)	(278)	-54%
Earnings from Significantly Influenced Investee, net of taxes	\$4,007	\$3,256	23%
100% Field Production volumes (mmcf/d)	74.38	88.85	-16%
13.6% (2011: 12.6%) net to Coastal (mmcf/d)	10.15	11.11	-9%

Under the equity method of accounting for investments, the Company records its share of the net income of Apico based on Apico's quarterly reported net income. Apico's revenue increased in Q1 2012 relative to Q4 2011 largely given the weak demand in the fourth quarter due to decreased industrial demand following the floods in Thailand.

The increase in net income earned from Apico LLC increased year-on-year due to higher commodity prices and, to a lesser, extent from the Company acquiring an additional 2.9% of Apico in Q1 2012.

On September 25, 2006, the Company acquired an additional interest in Apico for an amount greater than its proportionate share of net assets of Apico ("excess basis"). The excess basis was allocated to Apico's oil & gas properties and is being amortized using the units of production method beginning in Q1 2007.

Net Income

	3 Months ended		
	2012	March 31, 2011	Change
Net income and comprehensive income attributable to Coastal Energy	\$48,135	\$(2,362)	-
Basic earnings per share	\$0.42	\$(0.02)	
Diluted earnings per share	\$0.40	\$(0.02)	

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Summary of Quarterly Results

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

	2012		2011				2010	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues and Other Income								
Oil sales	\$189,079	\$128,929	\$81,670	\$64,628	\$72,556	\$33,246	\$68,688	\$42,164
Royalties	(20,243)	(11,955)	(6,295)	(5,018)	(5,845)	(2,769)	(6,828)	(3,154)
Gain (loss) on derivative	(9,159)	(8,838)	11,182	(871)	(20,657)	(18,181)	-	(1)
Interest income	2	2	2	1	1	1	1	1
Other income	(1,014)	(336)	(467)	(1,157)	(428)	(913)	(296)	33
	158,665	107,802	86,092	57,583	45,627	11,384	61,565	39,043
Expenses								
Production	36,210	32,773	27,148	17,124	22,218	17,996	16,124	8,211
Depreciation, Depletion, Amortization and Impairment	20,044	22,844	13,308	11,698	13,286	22,364	8,343	3,684
General and Administrative	8,327	11,931	7,802	6,457	5,263	8,027	4,334	4,095
Exploration	-	1,545	345	931	5,553	62,786	26	91
Debt financing fees	281	273	258	31	234	256	23	119
Finance expenses	1,006	1,549	913	1,201	1,162	92	722	749
Gains on disposal of property, plant and equipment	-	-	(873)	-	-	-	-	-
	65,868	70,915	48,901	37,442	47,716	111,521	29,572	16,949
Taxes								
	48,311	20,201	22,628	12,005	3,183	(40,857)	9,872	12,669
Share of net income (loss) from Apico LLC								
	4,007	2,563	4,436	4,272	3,256	(917)	2,709	3,156
Net income (loss) before non-controlling interests								
	48,493	19,249	18,999	12,408	(2,016)	(60,197)	24,830	12,581
Non Controlling interest								
	(358)	(357)	14	(592)	(346)	(1,364)	247	(55)
Net income (loss) attributable to Coastal Energy Company								
	48,135	18,892	19,013	11,816	(2,362)	(61,561)	25,077	12,526
EBITDAX^(a)								
	\$128,439	\$75,085	\$44,658	\$39,467	\$42,479	\$4,413	\$44,508	\$29,854
Basic earnings (loss)								
	\$0.42	\$0.17	\$0.17	\$0.11	(\$0.02)	(\$0.56)	\$0.23	\$0.11
Diluted earnings (loss)								
	\$0.40	\$0.16	\$0.16	\$0.10	(\$0.02)	(\$0.54)	\$0.22	\$0.11

Note (a) EBITDAX is a non-IFRS measure and is defined as earnings before interest, financing fees, taxes, depreciation, amortization, exploration costs and other one-time items adjusted for non-cash items such as unrealized gains and losses on risk management contracts, unrealized foreign exchange gains or losses and Share-Based Compensation (see reconciliation below.)

Significant factors influencing Quarterly Results include

- The volatility of global crude oil prices has a direct effect on the Company's revenue as well as unrealized gains or losses on risk management contracts. The Company realized a higher sales price year over year, but a lower sales price sequentially.
- The Company has incurred higher overall lease operating expenses in 2012 due to a full quarter of production at the second Bua Ban North platform.
- The Company has incurred higher general and administrative expenses as the substantial increase in the Company's stock price has increased its Share-Based Compensation expense as well as the accrual value of stock-linked cash compensation.
- The Company transacts business in multiple currencies; therefore the volatility of global currency exchange rates has a direct effect on the Company's foreign exchange (gains) losses.



Cash Flow Analysis

The Company's cash and cash equivalents at March 31, 2012 were \$40.9 million, an increase of \$17.9 million from \$23.0 million at December 31, 2011. The Company's primary source of funds came from operations and releases of restricted cash. Cash and cash equivalents were primarily used to fund property, plant and equipment expenditures of \$45.2 million, \$9.3 million to cover the acquisition of an increased stake in Apico LLC, and \$30.0m to repay long-term debt. The residual was used to fund working capital.

Capital Expenditures

Capital expenditures (on an accruals basis) amounted to \$60.3 million for the three months ended March 31, 2012, compared to \$27.9 million for the three months ended March 31, 2011, respectively. The Q112 expenditures almost entirely related to exploration, appraisal and development drilling at Bua Ban South, the acquisition of the Soraya platform being used at Songkhla A and the purchase of the Richmond jack-up rig to be converted into a mobile production unit ("MOPU"). The following table sets forth a summary of the Company's capital expenditures incurred:

Capital Expenditures	3 Months ended March 31,	
	2012	2011
Seismic, geological and geophysical studies	\$1,194	\$287
Drilling and completions	23,769	24,920
Facilities	28,137	572
Lease and well equipment	7,047	1,862
Administrative assets	125	228
Total Capital Expenditures	\$60,272	\$27,869

Equity Capital

Share Capital

Authorized 250,000,000 common shares with par value of \$0.04 each;

As of the date of this report, the Company had 114,319,444 common shares outstanding.

Warrants

As of December 31, 2011, the Company had 200,000 warrants outstanding exercisable at CAD \$1.136 per share. During the first quarter of 2012 no warrants were exercised.

Subsequent to March 31, 2012, no warrants were exercised resulting in the issuance of no common shares of the Company.

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Stock Options

During the three months ended March 31, 2012, the Company granted no stock options. Options exercised and forfeited were 673,297 and 3,732 respectively. Subsequent to March 31, 2012, 93,968 options were exercised and no options were forfeited.

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jan. 25, 2008	167,770	0.75 years	\$3.95 (Cdn\$3.94)	Jan. 26, 2013	167,770
May 05, 2008	25,000	1.08 years	\$4.45 (Cdn\$4.44)	May 06, 2013	25,000
Jul. 14, 2008	54,166	1.25 years	\$3.62 (Cdn\$3.61)	Jul. 15, 2013	54,166
Sep. 16, 2008	100,000	1.50 years	\$2.28 (Cdn\$2.27)	Sep. 16, 2013	100,000
Sep. 23, 2008	898,000	1.75 years	\$3.95 (Cdn\$3.94)	Feb. 05, 2013	898,000
Jan. 02, 2009	1,306,595	1.75 years	\$1.35 (Cdn\$1.35)	Jan. 01, 2014	1,306,595
Dec. 01, 2009	2,217,950	2.75 years	\$5.14 (Cdn\$5.13)	Nov. 30, 2014	1,424,229
Dec. 28, 2010	1,463,292	3.75 years	\$5.77 (Cdn\$5.75)	Dec. 27, 2015	460,113
Dec. 14, 2011	1,541,947	4.75 years	\$14.08 (Cdn\$14.04)	Dec. 13, 2016	-
	7,774,720				4,435,873

Restricted Stock Units

During the three months ended March 31, 2012, no restricted stock units were granted nor forfeited. The following table summarizes the outstanding RSUs at March 31, 2012 and as of the date of this report:

Grant Date	Number Outstanding	Remaining Contractual Life	Grant Date Fair Value	Expiry Date
Dec. 14, 2011	205,628	3.00 years	\$12.93	Dec. 14, 2014

Off-Statement of Financial Position Arrangements

The Company has no off-statement of financial position arrangements.

Related Party Transaction

The Company has no transactions with related parties.

Commitments and Contingencies

All the Company's commitments and contingencies are described in Note 16 to the Unaudited Condensed Interim Financial Statements for the three months ended March 31, 2012.

Subsequent Events

The Company announced discoveries in the Miocene and Lower Oligocene reservoirs at Bua Ban South. Further appraisal drilling is planned once production facilities arrive on location in the third quarter.

Critical Accounting Policies, Estimates and New Accounting Pronouncements

A detailed summary of the Company's critical accounting policies and estimates is included in Note 3 to the audited financial statements for the year ended December 31, 2011.



Risks and Uncertainties

Coastal has published its assessment of its business risks in the Risk Factor section of its Annual Information Form ("AIF") dated March 28, 2012 (available on SEDAR at www.sedar.com.) It is recommended that this document be reviewed for a thorough discussion of risks faced by the Company.

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, from time to time, may have 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.

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 additional 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.

Petroleum and Gas Prices

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.

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. Continued volatility in commodity prices may adversely affect the Company's operating cash flow.

Operating Hazards and Risks

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risk normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damages to persons or property and possible environmental damage. Although the Company may obtain liability insurance in an amount which is expected to be adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to the high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Reserve Estimates

Despite the fact that the Company has reviewed the estimates related to potential reserve evaluation and probabilities attached thereto and it is of the opinion that the methods used to appraise its estimates are adequate, these figures remain estimates, even though they have been calculated or validated by independent appraisers. The reserves disclosed by the Company should not be interpreted as assurances of property life or of the profitability of current or future operations given that there are numerous uncertainties inherent in the estimation of economically recoverable oil and natural gas reserves.

Disruptions in Production

Other factors affecting the production and sale of oil and natural gas that could result in decrease of profitability include: (i) expiration or termination of leases, permits or licenses, or sales price re-determinations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labor difficulties; (v) worker vacation schedules and related maintenance activities; and (vi) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair, fires, amounts of rock and other natural materials and other geological conditions can have a significant impact on operating results.

Cash Flows and Additional Funding Requirements

The Company presently has revenue from its Gulf of Thailand production and earnings from its interest in Apico, which is accounted for under the equity method on the consolidated statement of operations. In order to further develop the Gulf of Thailand assets, substantial capital will be required. The sources of capital presently available to the Company for development are cash flow from production or the issuance of debt or equity. The Company has sufficient financial resources to undertake its firm obligations for the next 12 months.

The Company is exposed to fluctuations in short-term interest rates on amounts drawn under its revolving credit facilities. The Company has hedged approximately 50% of its exposure to LIBOR.

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.

Laws and Regulations

The Company's exploration activities are subject to local laws and regulations governing prospecting, drilling, development, exports, taxes, labor 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.

The political unrest in Thailand has manifested itself in recent protests and violence in Bangkok. This unrest and its related violence have not affected our Thailand production operations; but there can be no guarantee that operations will not be affected in the future. As a safety precaution for our Bangkok based employees, we have on occasion shut down our Bangkok office and allowed those employees to work from home. We have also reviewed contingency plans for our third country nationals to ensure their safe exit from Thailand should the need arise.

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.

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.

Dependence on Management

The Company strongly depends on the business and technical expertise of its senior 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 material adverse effect on the Company.

Apico Financial Reporting

The Company accounts for its 39.0% (2011: 36.1%) investment in Apico under the equity method whereby it records its share of Apico's earnings as earnings from a significantly influenced investee. Apico is required to provide the partners its financial statements under the Joint Venture Agreement on a timely basis. While the Company has a seat on the 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.

Risk Management and Financial Instruments

Coastal provides a risk management and financial instruments discussion on its exposure to and management of credit risk, liquidity risk and market risk in Note 21 to the unaudited condensed interim financial statements as at and for the three months ended March 31, 2012.

Certification of Disclosures in Interim Filings

In accordance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") of the CSA, the Company's certifying officers quarterly issues a Certificate of Interim Filings ("Certification"). The Certification requires the certifying officers to state that they are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR").

The Certifications require the certifying officers to state that they designed DC&P, or caused it to be designed under their supervision, to provide reasonable assurance that (i) material information relating to Coastal Energy is made known to the certifying officers by others; (ii) information required to be disclosed in reports filed with Canadian securities regulatory authorities is recorded, processed, summarized and reported in a timely fashion. In addition, the Certifications require the certifying officers to state that they have designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the financial statements for external purposes. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls can only provide reasonable assurance over the effectiveness of the controls. The disclosure controls are not expected to prevent and detect all misstatements due to error or fraud.

During the quarter ended March 31, 2012 there have been no change to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR. The Company has procedures in place relating to DC&P and ICFR and will continue to monitor such procedures as the Company's business evolves.

Outlook

Currently, the drilling rig is at Bua Ban North drilling horizontal development wells and water injection wells.

Production facilities have been purchased for Bua Ban South and will be on location in the third quarter. Following the installation, the drilling rig will return to Bua Ban South for additional appraisal drilling.

Coastal is currently working to secure an additional drilling rig to accelerate its exploration program.

The Company is also evaluating production facilities to purchase to reduce operating costs and serve as a tax shield.



Condensed Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

(Unaudited) US \$000's except per share amounts

Three Months Ended March 31,	2012	2011
Revenues and Other Income		
Oil sales, net of royalties (Note 12)	168,836	66,711
Other income (Note 13)	(10,171)	(21,084)
	158,665	45,627
Expenses		
Production	36,210	22,218
Depreciation and depletion (Note 7)	20,044	13,286
General and administrative	8,327	5,263
Exploration (Note 6)	-	5,553
Debt financing fees	281	234
Finance	1,006	1,162
	65,868	47,716
Net income (loss) before income taxes and share of		
Net income from Apico LLC	92,797	(2,089)
Share of net income from Apico LLC (Note 8)	4,007	3,256
Net income before income taxes	96,804	1,167
Income taxes (Note 17)		
Current	36,608	-
Deferred	11,703	3,183
	48,311	3,183
Net income (loss) and comprehensive income (loss)	48,493	(2,016)
Net income (loss) and comprehensive income (loss) attributable to:		
Shareholders of Coastal Energy	48,135	(2,362)
Non-controlling interest	358	346
	48,493	(2,016)
Net income (loss) per share:		
Basic (Note 15)	0.42	(0.02)
Diluted (Note 15)	0.40	(0.02)

The accompanying notes are an integral part of these condensed interim consolidated financial statements (unaudited).



Condensed Interim Consolidated Statements of Financial Position

(Unaudited) US \$000's

As at	March 31 2011	December 31, 2011
	\$	\$
Assets		
Current Assets		
Cash	40,900	22,995
Restricted cash (Note 3)	6,411	28,447
Accounts receivable (Note 4)	32,476	16,939
Derivative asset (Note 11)	83	59
Inventory (Note 5)	19,637	14,161
Prepays and other current assets	346	1,094
Total current assets	99,853	83,695
Non-Current Assets		
Exploration and evaluation assets (Note 6)	43,392	31,881
Property, plant and equipment (Note 7)	379,736	355,052
Investment in and advances to Apico LLC (Note 8)	60,955	47,698
Deposits and other assets	405	405
Total non-current assets	484,488	435,036
Total Assets	584,341	518,731
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	90,832	59,471
Current portion of long-term debt (Note 11)	16	55,662
Current portion of derivative liabilities (Note 11)	19,192	14,557
Derivative liability - Warrants (Note 10)	2,899	2,853
Total current liabilities	112,939	132,543
Non-Current Liabilities		
Long-term debt (Note 11)	47,353	22,156
Non-current portion of derivative liabilities (Note 11)	670	1,274
Deferred tax liabilities	81,470	69,767
Decommissioning liabilities	39,899	42,124
Total Non-Current Liabilities	169,392	135,321
Shareholders' Equity (Note 15)		
Common shares	213,491	211,554
Contributed surplus	17,453	16,401
Retained earnings	65,238	17,630
Total Shareholders' Equity	296,182	245,585
Non-controlling interest	5,828	5,282
Total equity	302,010	250,867
Total liabilities and equity	584,341	518,731

Commitments and contingencies (Note 16)

The accompanying notes are an integral part of these condensed interim consolidated financial statements (unaudited).



Condensed Interim Consolidated Statements of Cash Flows

(Unaudited) US \$000's

Three Months Ended March 31,	2012	2011
Operating activities		
Net income (loss)	48,493	(2,016)
Adjustments:		
Share of net income from Apico LLC	(4,007)	(3,256)
Unrealized loss on derivative instruments	4,007	18,257
Depletion and depreciation	20,044	13,286
Finance expense	1,006	946
Amortisation of debt financing fees	281	234
Stock-based compensation	2,991	2,122
Deferred income taxes	11,703	3,183
Unrealized foreign exchange loss (gain)	92	(149)
Exploration expense	-	5,553
Interest received	2	1
Interest paid	(721)	(312)
Earnings distributions from Apico LLC	-	903
Change in non-cash working capital (Note 18)	(3,014)	(7,315)
Cash flow provided by operating activities	80,877	31,437
Financing Activities		
Issuance of common shares, net of issuance costs	992	4,693
Borrowings under long-term debt	-	6,275
Repayment of long-term debt	(30,000)	-
Loan arrangement fees	(746)	-
Payments to non-controlling interest	-	(156)
Cash flow provided by financing activities	(29,754)	10,812
Investing Activities		
Increase in restricted cash	22,036	6,533
Purchase of property, plant and equipment	(45,229)	(36,470)
Acquisition of increased stake in Apico LLC	(9,250)	-
Deposits and other assets	-	(43)
Cash flow used in investing activities	(32,443)	(29,980)
Effect of exchange rate changes on cash	(775)	(241)
Increase in cash	17,905	12,028
Cash - Beginning of period	22,995	3,884
Cash - End of Period	40,900	15,912

The accompanying notes are an integral part of these condensed interim consolidated financial statements (unaudited).



Condensed Interim Consolidated Statement of Changes in Equity

(Unaudited) US \$000's

	Note	Common Shares \$	Contributed Surplus \$	Warrants \$	Retained earnings / (accumulated deficit) \$	Attributable to shareholders of Coastal Energy Company \$	Non Controlling- Interest \$	Total \$
Balance as at December 31, 2010	20	201,303	15,971	-	(29,729)	187,545	6,559	194,104
Net (loss) income and total comprehensive loss (income)		-	-	-	(2,362)	(2,362)	346	(2,016)
Exercise of stock options		6,035	(1,342)	-	-	4,693	-	4,693
Exercise of warrants		50	-	(50)	-	-	-	-
Share-based compensation		-	688	-	-	688	-	688
Transfer to contributed surplus		-	(50)	50	-	-	-	-
Distributions declared to non-controlling interest		-	-	-	-	-	(156)	(156)
Balance at March 31, 2011		207,388	15,267	-	(32,091)	190,564	6,749	197,313
Net income and total comprehensive income		-	-	-	49,721	49,721	935	50,656
Exercise of stock options		4,166	(952)	-	-	3,214	-	3,214
Share-based compensation		-	2,086	-	-	2,086	-	2,086
Distributions declared to non-controlling interest		-	-	-	-	-	(2,402)	(2,402)
Balance as at December 31, 2011	20	211,554	16,401	-	17,630	245,585	5,282	250,867
Net income and total comprehensive income		-	-	-	48,135	48,135	358	48,493
Exercise of stock options		1,938	(418)	-	-	1,520	-	1,520
Shares repurchased and cancelled		(1)	-	-	(527)	(528)	-	(528)
Share-based compensation		-	1,470	-	-	1,470	-	1,470
Interest due from non-controlling interest		-	-	-	-	-	188	188
Balance as at March 31, 2012	20	213,491	17,453	-	65,238	296,182	5,828	302,010

The accompanying notes are an integral part of these condensed interim consolidated financial statements (unaudited).



Notes to the Condensed Interim Consolidated Financial Statements

As at March 31, 2012 and for the three months ended March 31, 2012 and 2011

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

Note 1. Reporting entity

Coastal Energy Company ("Coastal" or the "Company" or "we") is an international oil and gas exploration and development company with operations in offshore Thailand, and an interest in a joint venture which operates on the Thai mainland. The Company's shares are widely held and publicly traded on the Toronto Stock Exchange (TSX) and the London Alternative Investment Market (AIM).

The Company's head office is at Walkers House, 87 Mary Street, George Town, Grand Cayman, KY1-9001, Cayman Islands.

Note 2. Basis of presentation

The interim consolidated financial statements for Coastal Energy Company as at March 31, 2012 and for the three months ended March 31, 2012 and 2011 should be read in conjunction with the audited consolidated financial statements as at December 31, 2011, December 31, 2010 and January 1, 2010 and for the years ended December 31, 2011 and December 31, 2010. The interim consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the annual consolidated financial statements.

The interim consolidated financial statements are stated in United States dollars and have been prepared in accordance with the International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting.

The interim consolidated financial statements were approved by the Audit Committee of the Company's Board of Directors on May 11, 2012.

Note 3. Restricted cash

The Company has cash balances which are restricted by the Company's banking institutions. The following table summarizes the restricted cash balances:

As at	March 31, 2012	December 31, 2011
Collateral in support of corporate letter of credit (Note 16)	\$1,417	\$1,400
Restricted in support of long-term debt	4,994	27,047
	\$6,411	\$28,447

The terms of the debt facility with BNP Paribas require that cash proceeds from borrowing base assets be held in restricted accounts with the Lender. Cash may be disbursed from the restricted accounts for approved purposes as designated in the credit agreement.



Note 4. Accounts receivable

As at	March 31, 2012	December 31, 2011
Oil sales	\$16,959	\$-
Refundable taxes (VAT)	15,253	16,115
Other	264	824
	\$32,476	\$16,939

Note 5. Inventories

As at	March 31, 2012	December 31, 2011
Marine fuel	\$3,262	\$2,857
Crude oil inventory	16,375	11,304
	\$19,637	\$14,161

The crude oil inventory balance is pledged as security under the debt arrangement with BNP Paribas (December 31, 2011: \$11.41 million).

The amount of inventory expensed, including the depletion component, in Q1 2012 was \$53.21 million (2011: \$31.09 million).

Note 6. Exploration and evaluation assets

	Exploration and Evaluation
Cost and Net Book Value	
As at December 31, 2010	\$31,068
Additions	145,363
Transfers to Property, plant and equipment	(136,176)
Exploration expense	(8,374)
As at December 31, 2011	31,881
Additions	11,511
As at March 31, 2012	\$43,392

Exploration and evaluation assets ("E&E assets") mainly comprise property, geological survey and capitalized exploration drilling costs in respect of non-commercially assessed fields within our G5/43 concession. Management considers the E&E assets to be of an intangible nature.

During the three months ended March 31, 2012, the Company did not expense any exploration costs (2011: \$5.55 million expensed in relation to non-commercial results at Benjarong).

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Note 7. Property, plant and equipment

	Assets Under Construction	Oil & Gas Properties	Corporate and Other	Total
Cost				
As at December 31, 2010	\$10,706	\$276,488	\$1,584	\$288,778
Additions	-	32,001	1,134	33,135
Disposals	(10,706)	(1,427)	-	(12,133)
Transfers from Exploration and evaluation assets	-	136,176	-	136,176
As at December 31, 2011	-	443,238	2,718	445,956
Additions	6,950	39,269	124	46,343
As at March 31, 2012	\$6,950	\$482,507	\$2,842	\$492,299

Accumulated depletion, depreciation and impairment

As at December 31, 2010	10,706	30,911	913	42,530
Depletion and depreciation	-	59,447	351	59,798
Disposals	(10,706)	(718)	-	(11,424)
As at December 31, 2011	-	89,640	1,264	90,904
Depletion and depreciation	-	21,487	172	21,659
As at March 31, 2012	\$0	\$111,127	\$1,436	\$112,563

Carrying amount

As at December 31, 2011	\$-	\$353,598	\$1,454	\$355,052
As at March 31, 2012	\$6,950	\$371,380	\$1,406	\$379,736

Included within Oil & Gas Properties at December 31, 2010 are assets held under finance leases, which have a carrying amount of \$0.95 million. The depreciation charged on these assets amounted to \$0.12 million for the three months ended March 31, 2011. The Company terminated these finance leases during Q3 2011.

During the three months ended March 31, 2012, \$2.29 million of costs associated with decommissioning liabilities are included within additions (year ended December 31, 2011: \$24.96 million addition). This number is offset by a \$4.71 million credit in respect of revisions to estimates for existing decommissioning liabilities.

Depletion and depreciation expense recognized in property, plant and equipment for the three months ended March 31, 2012 was \$21.66 million (2011: \$14.30 million), whereas the charge for depletion and depreciation expense recognized in the statement of operations was \$20.04 million (2011: \$13.29 million). The difference relates to an inventory adjustment for crude oil produced but not yet sold.

Assets under construction

The Company purchased the 'Richmond', a submersible drilling rig in March 2012. No refurbishment work has taken place as of March 31, 2012.



Note 8. Investment in and advances to Apico LLC

The Company has a 39.0% (2011: 36.1%) interest in 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 interests in the Kingdom of Thailand.

Apico has the following working interests in petroleum concessions located in the Khorat Plateau area in northeastern Thailand in 2012 and 2011:

Petroleum Concession	Apico's interest	Net to Coastal	
	2012 & 2011	2012	2011
Block EU-1 and E-5N in the Sinphuhorm gas field	35%	13.648%	12.635%
Block L15/43 - surrounding the Sinphuhorm gas field	100%	38.994%	36.100%
Block L27/43 – southeast of the Sinphuhorm gas field	100%	38.994%	36.100%

The Company's investment in Apico exceeds its proportionate share of net assets of Apico ("excess basis"). This difference has been allocated to Apico's oil and gas properties and is being amortized using the units of production method. At March 31, 2012 the remaining unamortized excess basis was \$19.95 million (December 31, 2011: \$12.9 million).

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

As at	March 31, 2012	December 31, 2011
Balance, beginning of period	\$47,698	\$47,261
Acquisition of additional stake	9,250	-
Advances during the period	-	1,446
Share of earnings, net of taxes	4,136	15,583
Amortization of excess basis in Apico	(129)	(1,056)
Earnings distributions	-	(15,536)
Balance, end of period	\$60,955	\$47,698

The following table summarizes Apico LLC's assets and liabilities:

As at	March 31, 2012	December 31, 2011
Current assets	\$35,986	\$19,419
Non-current assets	116,106	109,733
Current liabilities	42,792	30,694
Non-current liabilities	2,790	2,731

The following table summarizes Apico LLC's revenue and net income:

Three months ended March 31,	2012	2011
Revenue	\$21,464	\$19,969
Expenses	3,966	4,760
Income taxes	6,892	5,427
Net income	10,606	9,782

The Company's share of Apico's commitments relating to geological studies, seismic surveys and exploratory drilling for the next 1 year is \$7.15 million. There is also a bank guarantee of \$0.60 million to cover customs duties.

Note 9. Accounts payable and accrued liabilities

As at	March 31, 2012	December 31, 2011
Trade payables	\$17,443	\$34,252
Accrued payables	34,987	23,084
Income taxes payable	36,687	79
Other	1,715	2,056
	\$90,832	\$59,471

Included within accrued payables is an accrual of \$6.76 million for the fair value of vested stock appreciation rights (SARs) (December 31, 2011: \$6.17 million). The Company incurred a liability of \$1.78 million for Q1 2012 (2011: \$1.63 million). Of this, \$0.21 million for Q1 2012 (2011: \$0.13 million) was capitalized to property, plant and equipment.

The fair value of these instruments was determined using the Black-Scholes model based on observable market prices. The full fair value of granted SARs units at March 31, 2012 is \$13.76 million (December 31, 2011: \$13.17 million). The Company considers the fair value used in valuing these instruments to be Level 2, as defined in Note 21.

No SARs have been granted in 2012.

Note 10. Derivative liability - Warrants

No warrants were issued in 2011 or 2010. The warrants outstanding at the beginning of the period were issued in connection with a debt offering exercisable at Cdn \$1.136 per share equivalent and expiring January 23, 2014. During 2012, no warrants were exercised (2011: 340,000 warrants were exercised in exchange for 286,082 common shares). The changes in warrants were as follows:

	March 31, 2012		December 31, 2011	
	Number of warrants	Weighted average exercise price	Number of warrants	Number of warrants
Balance, beginning of period	200,000	200,000	540,000	540,000
Warrants exercised	-	-	(340,000)	(340,000)
Balance, end of period	200,000	200,000	200,000	200,000

The recorded values of the Canadian dollar denominated purchase warrants were calculated using the Black-Scholes pricing model over the remaining term of the warrants. The key inputs are as follows:

As at	March 31, 2012	December 31, 2011
Risk free interest rate as per US Treasury Bonds	0.33%	0.25%
Share price (Canadian dollars)	\$15.61	\$14.07
Remaining term of the warrants	1.83 years	2.08 years
Volatility	40%	40%

Note 11. Long term debt

As at	March 31, 2012	December 31, 2011
Revolving debt facility	\$100,000	\$80,000
Unused portion of debt facility	(50,000)	-
Total debt drawn down	50,000	80,000
Unamortised debt issue costs	(2,647)	(2,191)
Carrying value of long-term	47,353	77,809
Current portion of long-term debt	-	(55,653)
Non-Current portion of long-term debt	47,353	\$22,156

Current portion of long-term debt shown on the statement of financial position comprises:

As at	March 31, 2012	December 31, 2011
Principal	\$-	\$55,653
Interest	16	9
	\$16	\$55,662

BNP Paribas debt facility

In Q1 2012 the Company has amended the terms of the revolving debt facility with BNP Paribas ("BNP") and including Commonwealth Bank of Australia. This has seen the facility increase from \$80.0 million to \$100.0 million, an extension of the amortization period of the borrowing base, and a significant lessening of the terms required to utilize cash balances held with the lender. The facility is due to amortize through to the earlier of June 30, 2016 or the reserve tail date. As part of this revision the Bua Ban North field was added to the borrowing base

The effective interest rate for the three months ended March 31, 2012 was 3.69% (2010: 4.45%) per annum.

As a requirement of the facility, the Company is required to undertake derivative contracts on a percentage of its projected production over a rolling 18 to 24 month period.

The following is a summary of the crude oil derivative contracts outstanding at March 31, 2012:

	Notional Volumes	Term	Average Strike Price	Fair value of asset (liability)
Long Puts				
Brent	1,127,750	Apr. 2012 – Sep. 2013	\$73.60/bbl	\$380
Short Calls				
Brent	1,033,000	Apr. 2012 – Sep. 2013	\$105.79/bbl	(20,242)
Fair value of derivative assets (liabilities)				\$(19,862)

The split between the current and non-current portions of these contracts:

	March 31, 2012	December 31, 2011
Current portion	(\$19,192)	(\$14,557)
Non-current portion	(670)	(1,274)
Total fair value of derivative liabilities	(\$19,862)	(\$15,831)

In the fourth quarter 2010, the Company entered into a contract to swap 50% of its expected LIBOR interest rate exposure from floating to fixed over a 30 month period commencing January 1, 2011 at 1.10% per annum. The carrying value of this derivative asset is \$0.08 million as of March 31, 2012 (December 31, 2011: \$0.06 million derivative asset).

Realized and unrealized gains and losses on the crude oil derivative contracts and the interest rate swap are summarized in the following table:

Three Months ended March 31,	2012	2011
Realized gains (losses) on crude oil price derivative contracts	\$(5,152)	\$(2,400)
Unrealized gains (losses) on crude oil price derivative contracts	(4,031)	(18,266)
Unrealized gain on interest rate swap	24	9
	\$(9,159)	\$(20,657)

Changes in fair values associated with derivative contracts are included within Other Income in the consolidated statement of operations and comprehensive income.

All derivative contracts are considered as held-for-trading using the criteria specified under IFRS.

Note 12. Oil sales, net of royalties

Three Months ended March 31,	2012	2011
Oil sales	\$189,079	\$72,556
Royalties	(20,243)	(5,845)
	\$168,836	\$66,711

Note 13. Other income

Three Months ended March 31,	2012	2011
Change in fair value of derivative contracts (Note 11)	(\$9,159)	(\$20,657)
Interest	2	1
Foreign exchange (losses) and gains	(1,014)	(428)
	(\$10,171)	(\$21,084)

Note 14. Related parties

Major Subsidiaries and Apico LLC

These Condensed Interim Financial Statements include the financial statements of Coastal Energy and our affiliated subsidiaries as at March 31, 2012 and December 31, 2011. Transactions involving the Company, its subsidiaries, its joint venture, its special purpose entity and equity investment are eliminated upon consolidation. In the opinion of management there are no material related party transactions with entities outside the consolidated group in the three months ended March 31, 2012 and 2011 except for those described below.



Note 15. Equity

Common Shares

Authorized share capital consists of 250,000,000 common shares with a par value of \$0.04 each. Each share carries equal voting rights, is non-preferential and participates evenly in the event of a dividend payment or in the winding up of the Company. At March 31, 2012, 114,101,394 common shares were issued and fully paid (December 31, 2011: 113,605,881 shares).

During 2012, the Company repurchased 33,395 common shares from directors under a normal course issuer bid ('NCIB'). The residual amount of \$0.53 million was recorded directly to retained earnings. All of the common shares under the NCIB were cancelled.

Stock Options

The Company has a stock option plan (the "Plan") in compliance with the TSX's policy for granting stock options. Under the Plan, the number of shares reserved for issuance of options combined with restricted stock units (discussed below) may not exceed 10% of the total shares issued and outstanding. At March 31, 2012 there remained available for future issuance 3,336,003 stock options, restricted stock units (discussed below) or a combination thereof. The exercise price of each option shall not be less than the market price of the Company's stock at the date of grant. The vesting term of options under the Plan is determined by the Company's Board of Directors but options granted typically vest over a period of three years. Prior to the January 2009 grant, the options vested one-quarter on the date of the grant and one-quarter on each subsequent anniversary of the date of the grant. Beginning with the January 2009 grant, the options vest one-third on each subsequent anniversary of the date of grant. The maximum exercise period of options granted under the Plan is five years following the grant date. The changes in stock options were as follows:

	March 31, 2012		December 31, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	8,545,717	\$5.79	10,794,987	\$3.47
Options granted	-	-	1,591,947	\$13.58
Options exercised	(673,296)	\$2.78	(3,602,288)	\$2.15
Options forfeited	(3,732)	\$5.04	(238,929)	\$4.74
Balance, end of period	7,868,689	\$6.04	8,545,717	\$5.79

For share options exercised in the three months ended March 31, 2012 the weighted average share price at the date of exercise was \$16.22 (year ended December 31, 2011: \$8.78).

The following table summarizes the outstanding and exercisable options at March 31, 2012:

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jan. 25, 2008	230,270	0.75 years	\$3.95 (Cdn\$3.94)	Jan. 26, 2013	230,270
May 05, 2008	25,000	1.08 years	\$4.45 (Cdn\$4.44)	May 06, 2013	25,000
Jul. 14, 2008	54,166	1.25 years	\$3.62 (Cdn\$3.61)	Jul. 15, 2013	54,166
Sep. 16, 2008	100,000	1.50 years	\$2.28 (Cdn\$2.27)	Sep. 16, 2013	100,000
Sep. 23, 2008	898,000	1.75 years	\$3.95 (Cdn\$3.94)	Feb. 05, 2013	898,000
Jan. 02, 2009	1,306,596	1.75 years	\$1.35 (Cdn\$1.35)	Jan. 01, 2014	1,306,596
Dec. 01, 2009	2,241,544	2.75 years	\$5.14 (Cdn\$5.13)	Nov. 30, 2014	1,447,823
Dec. 28, 2010	1,471,166	3.75 years	\$5.77 (Cdn\$5.75)	Dec. 27, 2015	467,987
Dec. 14, 2011	1,541,947	4.75 years	\$14.08 (Cdn\$14.04)	Dec. 13, 2016	-
	7,868,689				4,529,842

The above options are dilutive in 2012 and, therefore, have been taken into account in the per share calculations for that year. The options are anti-dilutive in 2011 and as such have been excluded from the comparative numbers.

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model. No grants were made in Q1 2012.

For the three months ended March 31, 2012 the Company recorded stock option expenses of \$1.06 million (2011: \$0.69 million), of which \$0.06 million (2011: \$0.03 million) was capitalized.



Restricted Stock

The Company has a restricted stock plan (the "RS Plan") in compliance with the TSX's policy for granting restricted stock units ("RSUs"). Under the RS Plan, the number of shares reserved for issuance may, along with other stock plans, not exceed 10% of the total issued and outstanding shares of the Company. At March 31, 2012 there remained available for future issuance 3,336,003 RSUs, stock options or a combination thereof (December 31, 2011: 2,609,243). The vesting term of RSUs under the RS Plan is determined by the Company's Board of Directors. For the RSUs granted on December 14, 2011 one-third vest on each subsequent anniversary of the date of the grant. The changes in RSUs in 2012 were as follows:

	Number of RSUs
Balance, December 31, 2011	205,628
RSUs granted	-
RSUs settled	-
RSUs forfeited	-
Balance, March 31, 2012	205,628

The following table summarizes the outstanding RSUs at March 31, 2012:

Grant Date	Number Outstanding	Remaining Contractual Life	Grant Date Fair Value	Expiry Date
Dec. 14, 2011	205,628	3 years	\$12.93	Dec. 14, 2014

The above RSUs are dilutive in 2012 and, therefore, have been taken into account in the per share calculations detailed below.

For the three months ended March 31, 2012 the Company recorded RSU expenses of \$0.41 million (2011: \$nil), of which \$0.06 million (2011: \$nil) was capitalized. No RSU has vested as of March 31, 2012.

Contributed Surplus

This reserve is being used on an ongoing basis to record stock option expense.

Net Income per Share

The following table summarizes the weighted average number of common shares used in calculating basic and diluted earnings per share. No adjustments to income were required.

Three Months ended March 31,	2012	2011
Weighted average common shares outstanding, basic	113,976,174	111,336,044
Effect of stock options and warrants	5,079,239	-
Weighted average common shares outstanding, diluted	119,055,413	111,336,044

Note 16. Commitments and contingencies

The Company has provided a letter of credit to the Thailand Customs Department for \$1.4 million (December 31, 2011: \$1.4 million). This letter of credit is cash collateralized, has not been drawn on and remains outstanding as of March 31, 2012.

The Company has entered into various commitments primarily related to the ongoing development of its Thailand G5/43 property. Coastal has secured equipment and work commitments in the Gulf of Thailand. In order to keep this Concession, the Company has various development obligations. The Company also has operating lease agreements for office space in Thailand and the United States. The following table summarizes the Company's outstanding contractual obligations:



Year	Drilling & Production	G5/50	Other	Total
2012	\$52,870	\$5,300	\$299	\$58,469
2013	-	-	324	324
2014	-	-	131	131

The Company's share of Apico's commitments is disclosed in Note 8.

The Company from time to time is involved in various claims, legal proceedings, complaints and disputes with governmental authorities and other stakeholders 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.

Note 17. Income taxes

Income taxes are comprised of the following amounts relating to current tax expense and deferred tax expense:

Three Months ended March 31,	2012	2011
Current income tax expense		
Current year income tax expense	\$36,608	\$-
Adjustment in respect of prior years	-	-
Current income tax expense (recovery)	<u>36,608</u>	<u>-</u>
Deferred tax expense		
Origination and reversal of temporary differences in the current year	11,703	3,183
Adjustment in respect of prior years	-	-
Deferred tax expense	<u>11,703</u>	<u>3,183</u>
Income tax expense (recovery)	<u>\$48,311</u>	<u>\$3,183</u>

The provision for income taxes differs from the amount that would have been expected by applying statutory corporate income tax rates to income (loss) before taxes. The principal reasons for this difference are as follows:

Three Months ended March 31,	2012	2011
Net income before income taxes	\$96,804	\$1,167
Thailand petroleum income tax statutory rate	50%	50%
Expected income tax expense computed at standard rates	48,402	584
Add (deduct) the tax effect of:		
Tax differential in other countries	144	2,234
Non-taxable/deductible expenses	(721)	(195)
Share-based compensation	667	-
Valuation allowance	(29)	36
Tax basis revaluation	(152)	524
Income tax expense	<u>48,311</u>	<u>3,183</u>
Consisting of:		
Current income tax expense (recovery)	36,608	-
Deferred tax expense (recovery)	11,703	3,183
Income tax expense (recovery)	<u>\$48,311</u>	<u>\$3,183</u>



Note 18. Changes in non-cash working capital

The following table summarizes the changes in non-cash working capital for the three months ended March 31, 2012 and 2011:

Three Months ended March 31,	2012	2011
Accounts Receivable	(\$15,537)	(\$14,921)
Inventory	(5,476)	830
Prepays and Other Current Assets	748	435
Accounts Payable and Accrued Liabilities	(19,357)	6,341
Current Income Taxes Payable	36,608	-
Total	(\$3,014)	(\$7,315)

Note 19. Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the executive officers of the Company to allocate resources to the segments and to assess their performance.

The Company's reportable and geographical segments are Onshore Thailand, Offshore Thailand and Other. Other activities include the Company's corporate offices outside of Thailand. The accounting policies used for the reportable segments are the same as the Company's accounting policies.

For the purposes of monitoring segment performance and allocating resources between segments, the Company's executive officers monitor the assets attributable to each segment. All assets are allocated to reportable segments. The following tables show information regarding the Company's reportable segments.

Segmented Income for the Three Months ended March 31, 2012

	Thailand Onshore	Thailand Offshore	Corporate and Other	Total
Net oil sales	\$-	\$168,836	\$-	\$168,836
Other Income	-	(6,187)	(3,984)	(10,171)
	-	162,649	(3,984)	158,665
Less: Expenses				
Production	-	36,210	-	36,210
Depreciation and depletion	-	19,881	163	20,044
General and administrative	-	3,353	4,974	8,327
Debt financing fees	-	-	281	281
Finance costs	-	193	813	1,006
Add: Net income from Apico LLC	4,007	-	-	4,007
Net Income (Loss) before taxes	\$4,007	\$103,012	(\$10,215)	\$96,804

Segmented Income for the Three Months ended March 31, 2011

	Thailand Onshore	Thailand Offshore	Corporate and Other	Total
Net oil sales	\$-	\$66,711	\$-	\$66,711
Other Income	-	(21,078)	(6)	(21,084)
	-	45,633	(6)	45,627
Less: Expenses				
Production	-	22,218	-	22,218
Depreciation and depletion	-	13,253	33	13,286
General and administrative	-	983	4,280	5,263
Exploration	-	5,553	-	5,553
Debt financing fees	-	102	132	234
Finance costs	-	329	833	1,162
Add: Net income from Apico LLC	3,256	-	-	3,256
Net Income (Loss) before taxes	\$3,256	\$3,195	(\$5,284)	\$1,167

Segmented Capital Expenditure for the Three Months ended March 31, 2012

	Thailand Onshore	Thailand Offshore	Corporate and Other	Total
Capital Expenditures	\$-	\$40,002	\$20,270	\$60,272

Segmented Capital Expenditure for the Three Months ended March 31, 2011

	Thailand Onshore	Thailand Offshore	Corporate and Other	Total
Capital Expenditures	\$-	\$27,641	\$228	\$27,869

Segmented Assets as at March 31, 2012

	Thailand Onshore	Thailand Offshore	Corporate and Other	Total
Investment in and advances to Apico LLC	\$60,955	\$-	\$-	\$60,955
PP&E and E&E carrying amount	-	402,583	20,545	423,128
Total Assets	\$60,955	\$480,054	\$43,332	\$584,341

Segmented Assets as at December 31, 2011

	Thailand Onshore	Thailand Offshore	Corporate and Other	Total
Investment in and advances to Apico LLC	\$47,698	\$-	\$-	\$47,698
PP&E and E&E carrying amount	\$-	386,492	441	386,933
Total Assets	\$47,698	\$455,748	\$15,285	\$518,731



Note 20. Capital management

The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include common share capital, long-term debt, obligations under finance leases, amounts due to shareholders and adjusted working capital (a measurement defined as current assets less current liabilities, with current liabilities being as per the number on the face of the consolidated statement of financial position). In order to maintain or adjust the capital structure, from time to time the Company may issue common shares or other securities, incur debt, sell assets or adjust its capital spending to manage current and projected debt levels. The Company may also repurchase common shares when the Company believes the market price does not reflect the underlying values of the common shares.

The Company's capital structure is comprised as follows:

As at	March 31, 2012	December 31, 2011
Total shareholders' equity	\$302,010	\$250,867
Long-term debt drawn	50,000	80,000
Working capital deficit (asset) excluding long-term debt drawn ⁽¹⁾	13,070	(6,814)
	\$365,080	\$324,053

Note 1: This amount excludes the current portion of the bank debt (which by the definition above would normally be included in this computation) as they are already included above.

As of March 31, 2012, the Company has utilized \$50.0 million of its \$100.0 million borrowing facility. Management believes it can access the equity and credit markets in the future should circumstances deem raising additional equity or debt is necessary.

The Company is in compliance with its debt covenants.

Note 21. Financial instruments and financial risk management

Financial Risk Management Objectives

Management co-ordinates access to financial markets and monitors and manages financial risk. These financial risks include fair value risk, market risks (comprising currency, interest rate, commodity price and credit risk) and liquidity risk.

Management seeks to adopt practicable yet effective approaches in a manner consistent with the current nature and scale of operations. This is manifested in procedures such as seeking to match currency inflows with currency outflows in the same currency, and by avoiding the use of derivative instruments where possible. The Company never undertakes derivative transactions for speculative trading purposes.

Fair Values

The Company's financial instruments include cash, restricted cash, derivative assets and liabilities, accounts receivable, and accounts payable and accrued liabilities. Cash and derivative assets and liabilities are carried at fair value. The Company considers that almost all other items (excluding long-term debt and warrants) have a carrying value that approximates their fair value due to their short-term nature.

The fair value of the Company's long-term debt as at March 31, 2012 was \$47.86 million (December 2011: \$70.70 million) when using the market LIBOR rate.

The Company classifies the fair value of cash, restricted cash, derivative commodity contracts and the derivative liability for warrants according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observables as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's cash, restricted cash and derivative commodity contracts have been assessed on the fair value hierarchy described above. Cash and restricted cash are classified as Level 1.

The Company's derivative commodity contracts, as with 2011, are considered fair value through profit and loss and their fair values are marked to market every quarter based on inputs from quoted market prices in the futures market on the statement of financial position date. As discussed in Note 11, these derivative instruments are solely required for debt facilities. These contracts as well as the derivative liabilities associated with warrants are classified as Level 2.

The Company considers its risks in relation to financial instruments in the following categories, of which management considers that no category has significantly worsened in 2012 relative to 2011.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will not discharge its obligations, resulting in a financial loss to the Company. The Company has procedures in place to minimize the credit risk it will assume. Coastal personnel evaluate credit risk on an ongoing basis including an evaluation of counterparty credit rating and counterparty concentrations measured by amount and percentage.

The primary sources of credit risk for the Company arise from the following financial assets: (1) cash and restricted cash; (2) accounts receivable; (3) derivative assets. The Company has not had any credit losses in the past beyond that described below. At March 31, 2012 and 2011, the Company has no financial assets that are past due or impaired due to credit risk related defaults.

The Company's accounts receivable and other consists primarily of Value Added Tax ("VAT") refunds from the governments of Great Britain and Thailand. The Company's maximum exposure to credit risk at the statement of financial position date is as follows:

As at	March 31, 2012	December 31, 2011
Cash	\$40,900	\$22,995
Restricted cash	6,411	28,447
Refundable taxes (UK, Thailand)	15,253	16,115
Trade receivable	16,959	-
Other accounts receivable	264	824
Derivative asset	83	59
	\$79,870	\$68,440

Revenues in both years relate to a single customer that had a credit rating of BBB+ with Standard and Poors as at March 31, 2012. The Company's trade receivables at the end of each period were less than 30 days aged and were subsequently fully collected.

Typically, the Company's maximum credit exposure to customers is revenue from one month's commodity sales. The Company's standard credit terms have been (receipt of) payment within 30 days of delivery or prepayment of crude oil sales, although the latter is no longer permitted as part of the new debt facility. The Company's policy to mitigate credit risk associated with commodity sales is to establish relationships with credit worthy customers. The Company has not written off any amounts receivable in either 2012 or 2011.



No receivables are overdue (2011: \$nil) and hence no allowance has been made for doubtful accounts receivable (2011: \$nil).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to its financial liabilities. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, derivative liabilities, long-term debt, obligations under operating leases and future contractual commitments. The Company frequently assesses its liquidity position and obligations under its financial liabilities by preparing financial forecasts. Coastal mitigates liquidity risks by maintaining a sufficient cash balance as well as maintaining a sufficient current and projected liquidity cushion to meet expected future payments.

The Company's financial liabilities arose primarily from the development of its Thailand properties. Payment terms on the Company's accounts payable and accrued liabilities are typically 30 to 60 days from receipt of invoice and generally do not bear interest. At March 31, 2012 the Company had recorded all of the obligations associated with its financial liabilities. In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

	March 31, 2012				Total	December
	Within 1 year	1-2 Years	3-5 years	There after		31, 2011 Total
Accounts payable and accrued liabilities	\$90,832	\$-	\$-	\$-	\$90,832	\$59,471
Long-term debt principal and interest	16	-	33,334	16,666	50,016	80,009
Derivative liabilities	19,192	670	-	-	19,862	15,831
Derivative liability – warrants	2,899	-	-	-	2,899	2,853
	\$112,939	\$670	\$33,334	\$16,666	\$163,609	\$158,164

Market Risk

Market risk is the risk that the fair value (for assets or liabilities considered to be fair value through profit and loss and available-for-sale) or future cash flows (for assets or liabilities considered to be held-to-maturity, other financial liabilities, and loans or receivables) of a financial instrument will fluctuate because of changes in market prices. The Company evaluates market risk on an ongoing basis. Coastal assesses the impact of variability in identified market risk on its various assets and liabilities and has established policies and procedures to mitigate market risk on its foreign exchange, interest rates and derivative contract.

(a) Currency Risk

Coastal operates internationally and therefore is exposed to the effects of changes in currency exchange rates. Although the functional currency of the Company is United States Dollars, it also transacts business in Thai baht, British Pounds, Canadian Dollars and Euros. The Company is subject to inflation in the countries in which it operates and fluctuations in the rate of currency exchange between the United States and these other countries. The Company does not currently use financial instruments or derivatives to hedge these currency risks.

Exchange rate fluctuations may affect the costs that the Company incurs in its operations. The Company's costs are incurred principally in US dollar, Thai baht, UK Pounds and Canadian Dollars. The appreciation of non-US Dollar currencies against the US Dollar can increase the costs of operations and capital expenditures in US Dollar terms.

Based on the Company's net foreign currency exposures at March 31, 2012, a 10% depreciation or appreciation of the foreign currencies against the US dollar would result in a \$3.56 million (December 31, 2011: \$0.90 million) increase or decrease in the Company's after-tax earnings with the same impact on comprehensive income. These exposures are attributable to year-end payables and receivables denominated in currencies other than the US dollar.



(b) Interest Rate Risk

The Company is exposed to interest rate risk on its outstanding borrowings and short-term investments. Presently the Company's credit facility has an interest rate of LIBOR plus 350 bps. The Company monitors its exposure to interest rates and is comfortable with its exposures given the relatively short-term of the interest rates on long-term debt. The terms of the Company's long-term debt obligation is described in Note 11. The Company accounts for its borrowings under the long-term debt on an amortized cost basis. The Company had borrowings totaling \$50.0 million at March 31, 2012 (December 31, 2011: \$80.0 million). A 100 basis point change in interest rates at the statement of financial position date would result in a \$0.5 million change in the Company's annual net income (2011: \$0.80 million). The Company has entered into an interest rate swap to specifically manage interest rate risk. Further details can be found in Note 11.

The Company paid an average of 3.69% on its borrowings for the three months ended March 31, 2012 (2011: 4.45%).

The Company earned an average of 0.02% on its short-term investments for the three months ended March 31, 2012 (2011: 0.06%).

(c) Commodity Price Risk

Profitability of the Company depends on market prices for petroleum and natural gas. Petroleum and natural gas prices are affected by numerous factors such as global consumption and demand for petroleum and natural gas, international economic and political trends, fluctuation in the US dollar and other currencies, interest rates, and inflation.

A 10% decline in the reference price projection would not reduce the availability under the borrowing base at March 31, 2012.

As a requirement of the debt facilities, the Company entered into a derivative hedging agreement described in Note 11. A 10% increase in prices of Brent as of March 31, 2012 would cause an increase in the derivative liability of \$10.17 million (2011: increase in liability of \$7.31 million) from what is recorded on the statement of financial position. A 10% decrease in prices as of March 31, 2012 would cause a decrease in the liability of \$7.78 million (2011: decrease of \$5.09 million).

(d) Other Price Risk

The Company is exposed to equity price risk in relation to stock appreciation rights granted to employees. For more detail, see Note 9.

NON-INDEPENDENT DIRECTOR

Randy L. Bartley, President and CEO

William C. Phelps, Chief Financial Officer

INDEPENDENT DIRECTORS

C. Robert Black ^{(1) (2) (4)}
Former Senior Vice President, Office of the Chairman
Texaco, Inc.

Andrew L. Cochran ^{(1) (2) (4)}
CEO, Dominion Petroleum Limited

Olivier de Montal ^{(2) (3)}
Administrator, Olympia Capital Holding

Lloyd Barnaby Smith ^{(3) (4)}
Former British Ambassador to Thailand

John B. Zaozirny ^{(1) (3)}
Vice Chairman, Canaccord Genuity Corp.

Committees of the Board:

- (1) Audit,*
- (2) Compensation,*
- (3) Corporate Governance and Nominating,*
- and (4) Reserves*

SENIOR MANAGEMENT

Lloyd Barnaby Smith, Non-Executive Chairman

Randy L. Bartley, President, CEO, Director

William C. Phelps, Chief Financial Officer, Director

John M. Griffith, Vice President, Operations
Thailand General Manager

TRADING SYMBOLS

CEN on TSX
CEO on AIM

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ABBREVIATIONS

bbl	Barrel
boe	barrel of oil equivalent of natural gas and crude oil on the basis of 1 boe for 6 mcf of natural gas
bbl/d	barrels of oil per day
mbbls	thousand barrels
mcf	thousand cubic feet
mmcf	million cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day
bcf	billion cubic feet
TSX	Toronto Stock Exchange (Canada)
AIM	London AIM Stock Exchange (UK)

THIRD PARTY ADVISORS

Petroleum and Geological Engineers:
RPS Group, Ltd.

Corporate Bankers:
BNP Paribas
Commonwealth Bank of Australia

Auditors:
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Stikeman Elliott LLP (Canada & UK)
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Chandler & Thong-Ek (Thailand)

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Computershare (TSX)
Capita Registrars (LSE-AIM)

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