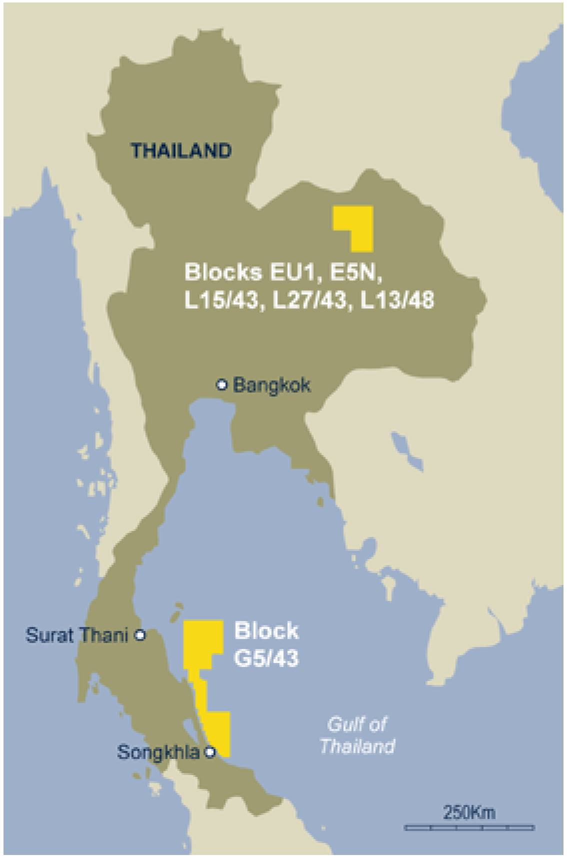
QUARTERLY REPORT

COASTAL ENERGY

MARCH 31, 2008

COASTAL ENERGY COMPANY

Three month period ended March 31, 2008



Coastal Energy's Oil & Gas interests

CONTENTS

President's Report to the Shareholders

During the first quarter of 2008, Coastal has continued to focus on achieving first oil production from our offshore Gulf of Thailand assets. In order to achieve production in the fourth quarter of this year, the Company has undertaken several critical path items.

1. Additional financing was put in place by completing a public offering of 16,445,000 common shares at a price of USD $3.50 per share. The offering raised USD $57.6 million in gross proceeds.
1. The Company has added several new positions to enable the proper development and handling of this production as well as new projects.
2. Coastal acquired a 24,000 ton vessel and began refurbishing it as an FSO.
3. We opened our Songkhla warehouse facility which will serve as the base for drilling and long lead items.
5. Current delivery for our first production platform and its installation is scheduled for late September to meet our fourth quarter production target.

The Phu Horm gas field, in which Coastal has a 12.6% indirect interest, was producing in excess of 100 mmcf/d at March 31, 2008. Also, Coastal participated in the drilling of Dong Mun #3, operated by Apico. The well is located in Block L27/43 in north east Thailand. Although the main target "Pha Nok Khao" zone appeared non productive, the "Jurassic" interval had multiple zones with gas shows. Apico will drill a high structural well to test these shallower potential targets later this year. Coastal will have a 36.1% working interest in the well. This well will have the potential to add significant additional gas reserves to our quality onshore Thailand assets.

The Company had a significant upgrade in its year end reserves. Proved + Probable ("2P") reserves were up 23% compared to last year and corresponding 2P NPV was up 140%, based on constant prices, from year end 2006. Our technical and operations team that is now in place in Thailand has done an excellent job in getting ready for our upcoming development program and has established numerous new prospects in our offshore Thailand assets. In addition, our business development team is constantly evaluating prospects and searching for properties that would meet our investment criteria.

After 4 years of valuable service to Coastal, Al Whitehead retired as our Chairman of the Board in February. Under Al's watch, the Company became listed on the AIM and TSX-V stock exchanges, completed three equity offerings and consummated the merger which created Coastal. Frank Inouye was appointed as the new Chairman and I was appointed President, CEO and Executive Director.

I am excited about the near term development program as well as the longer term appraisal and exploration upside within the Company's existing asset portfolio. I believe this asset base will serve as a solid foundation on which to build a successful exploration and production company.

On behalf of the Board of Directors

Randy L. Bartley

President and Chief Executive Officer
May 22, 2008

(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 (the **"**Company**"**). This MD&A, dated May 22, 2008, should be read in conjunction with the accompanying unaudited consolidated financial statements for the three months ended March 31, 2008 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 and is engaged in the acquisition and exploration of petroleum and natural gas properties. The Company was listed on the Alternative Investment Market ("AIM") of the London Stock Exchange in January 2005 and on the TSX Venture Exchange ("TSX-V") in September 2005. The functional and reporting currency of the Company and its subsidiaries is the US dollar ("USD").

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

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

First Quarter 2008 Highlights

- The Company has reported $2.868 million as its share of earnings of a significantly influenced investee. This represents $3.123 million (its 36.1% of Apico's unaudited first quarter net income of $8.643 million) less $0.255 million for amortization of the Company's excess basis in Apico (see Note 4 to the Financial Statements.)

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

- On February 26, 2008, the Company acquired a 24,000 ton vessel for $8 million to be refurbished and put into service as a floating storage and off-loading unit in connection with the development of the Company's Gulf of Thailand properties.

- The Phu Horm gas field, in which the Company has a net 12.6% indirect interest, was producing in excess of 100 mmcf/d at March 31, 2008.

Forward Looking Statements

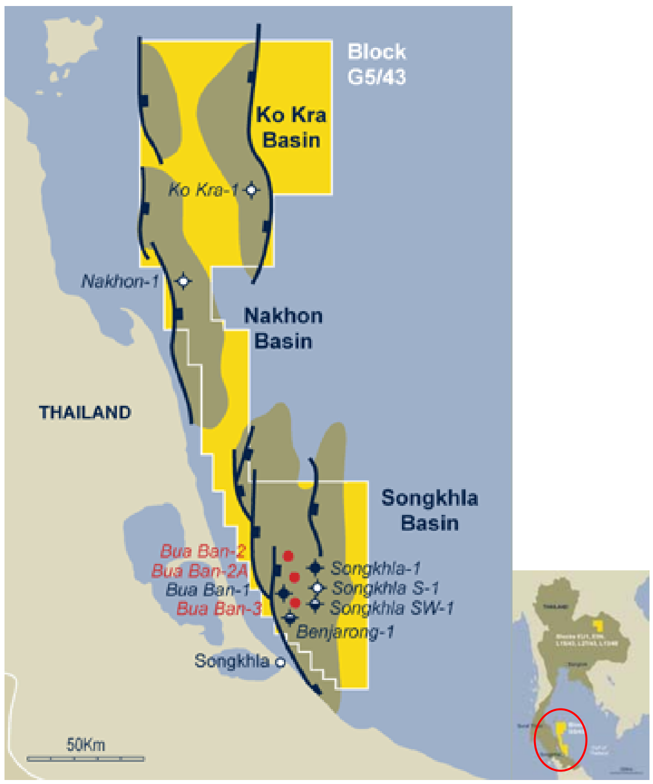
Certain information included in this discussion may constitute forward-looking statements. Forward looking statements are based on current expectations, estimates, and projections that involve various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that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

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

Oil & Gas Properties

Summary of Oil & Gas Properties	Thailand Onshore	Thailand Offshore	Totals
Balance, December 31, 2006	**$44,046**	**$66,367**	**$110,413**
Additions during the period:			
Exploration & development	1,463	9,320	10,783
Equity earnings in Apico	9,212	-	9,212
Amortization of excess basis in Apico	(1,533)	-	(1,533)
Balance, December 31, 2007	**53,188**	**75,687**	**128,875**
Additions during the period:			
Exploration & development	-	5,744	5,744
Equity earnings in Apico	3,123	-	3,123
Amortization of excess basis in Apico	(255)	-	(255)
Balance, March 31, 2008	**$56,056**	**$81,431**	**$137,487**

(a) Thailand Offshore Properties



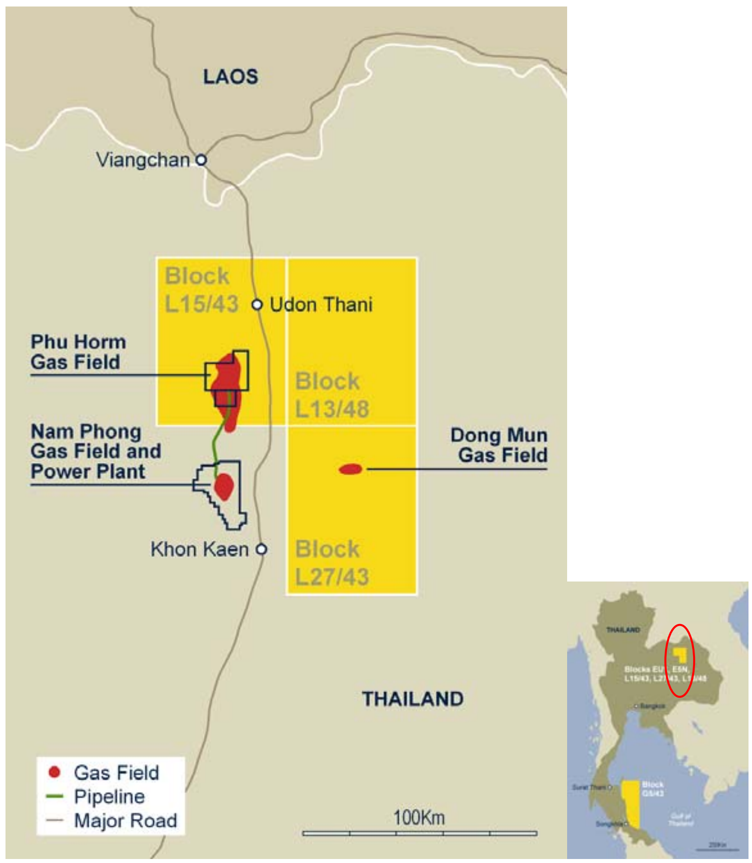
The Company maintains a 100% working interest in Block G5/43 (the "Block") in the Gulf of Thailand. The Block is approximately 8,500 square kilometres and average water depths are approximately 70 feet. Under the terms of the Concession, the Company relinquished approximately 8,600 square kilometres of G5/43 back to the Kingdom of Thailand in July 2007. Company management used available seismic and technical data to determine the less prospective acreage which was relinquished. As a result, under full cost accounting, the Company incurred no financial impact related to this relinquishment.

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

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

In December 2007, the Company was awarded the petroleum concession to Block G5/50 in the Gulf of Thailand in the Ko Kra Basin within the boundaries of Block G5/43.

(b) Thailand Onshore



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

Three months ended March 31,	**2008**	2007
Total revenue	**$17,720**	$14,184
Total expenses	**3,187**	3,839
Income tax expense	**5,890**	4,784
Net Income	**$8,643**	$5,561

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

	March 31, 2008	December 31, 2007
Current assets	**$35,566**	$37,825
Property, plant and equipment	**98,617**	89,884
Other assets	**2,278**	570
Total assets	**$136,461**	$128,279
Current liabilities	**$40,228**	$26,691
Non-current liabilities	**3,073**	2,571
Members equity	**93,160**	99,017
Total liabilities and equity	**$136,461**	$128,279

Production at the Phu Horm gas field commenced on November 30, 2006 and will supply the Nam Phong power plant with over 500 billion cubic feet of gas, plus condensate, under a 15 year Gas Sales Agreement with PTT Public Company Limited. Coastal's net interest of 12.6% is held through its equity investment in Apico which holds a 35% interest in Block EU-1 and E-5N. The other partners in the Block include Hess Corporation (Operator - 35%), PTT Exploration & Production (20%) and Exxon Mobil Corp. (10%). During the first quarter, four wells (PH-3, 4, 5 & 10) at Phu Horm were producing in excess of 100 mmcf/d at March 31, 2008.

Block L15/43 surrounds the Phu Horm gas field. Drilling of the South Phu Horm-1 ("SPH-1") appraisal well on the southern extension of the Phu Horm gas field commenced February 15, 2008. The SPH-1 well was drilled to a total depth of approximately 3229 meters (-2,640 meters sub-sea) and encountered gas shows in both the Hua Hin Lat and Pha Nok Khao (PNK) formations. In April 2008, a full suite of logs were run and an open hole test conducted across the PNK primary target interval. The SPH-1 well tested gas at rates, after acid stimulation, that would not support commercial production from this location. The drilling, log and test data suggest the fracturing necessary to provide effective deliverability in the PNK carbonates is not present at the SPH-1 location and the well has been suspended pending further evaluation for a side track.

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

Block L13/48 is located 40km east of the Phu Horm gas field. The L13 concession holds the Si That discovery which tested gas in the Si That-2 well. Similar to Dong Mun, Si That offers an appraisal opportunity for additional reserves with low geological and technical risk. The Si That appraisal well is expected to be drilled in 2008.

Summary of Quarterly Information

Three months ended March 31,	**2008**	**2007**
Operating Expenses	**$(3,719)**	$(1,396)
Other items:		
Share of earnings of Apico, LLC	**2,868**	1,563
Unrealized gain on derivative	**27**	-
Interest Income	**245**	101
Foreign exchange loss	**(3,382)**	(1,007)
Net income (loss)	**$(3,961)**	$(739)
Per share basic and diluted	**$(0.04)**	$(0.01)
Working capital	**$7,820**	$11,091
Total assets	**$186,318**	$129,403

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

Cash Flow Analysis

The Company's cash and cash equivalents increased by $7.4 million from $13.1 million at December 31, 2007 to $20.5 million at March 31, 2008. The Company's primary source of funds came from net proceeds of $54.5 million from its public stock offering. Additional proceeds were made available by a $0.6 million reduction of restricted cash from $2.0 million at December 31, 2007 to $1.4 million at March 31, 2008. Proceeds from the stock offering were used accordingly: $25.0 million to repay long-term debt; $19.3 million to invest in property, plant and equipment; and $2.0 million to pay operating expenses. Coastal also took a $1.4 million loss due to unrealized foreign exchange lon accounts held in non-US dollar currencies.

Summary of Quarterly Results

	2008	2007				2006		
	Q1	Q4	Q3	Q2 (a)	Q1	Q4	Q3	Q2
Operating expenses	**$(3,719)**	**$(3,310)**	**$(3,991)**	**$(1,628)**	$(1,396)	$(2,600)	$(140)	$(22)
Share of earnings (loss) of Apico LLC	**2,868**	**2,424**	**1,544**	**2,148**	1,563	583	(123)	(80)
Unrealized gain (loss) on derivative	**27**	**(183)**	**(983)**	**-**	-	-	-	-
Interest income	**245**	**142**	**61**	**126**	101	12	-	-
Loss on sale of assets	**-**	**-**	**-**	**(40)**	-	-	-	-
Foreign exchange gain (loss)	**(3,382)**	**(301)**	**(209)**	**(282)**	(1,007)	(1,763)	38	19
Net income (loss) from continuing operations	**(3,961)**	**(1,228)**	**(3,578)**	**324**	(739)	(3,768)	(225)	(83)
Net income (loss)	**(3,961)**	**(1,228)**	**(3,578)**	**(1,688)**	(739)	(3,768)	(225)	(83)
Basic and diluted earnings (loss) per share from continuing operations	**$(0.04)**	**$(0.02)**	**$(0.05)**	**$0.01**	$(0.01)	$(0.05)	$(0.01)	$0.00
Basic and diluted earnings (loss) per share	**$(0.04)**	**$(0.02)**	**$(0.05)**	**$(0.01)**	$(0.01)	$(0.05)	$(0.01)	$0.00

Note (a) During Q2 2007, the Company took a write-down against its oil and gas investment in Nevada, USA. The total carrying value of this property was $2.0 million. This balance was expensed in Q2 as a period operating cost. Upon further review, the event has been determined to constitute a discontinuance of the operations of Coastal's United States cost centre. Accordingly, this write-down has now been reclassified from operating expenses to a loss from discontinued operations.

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

Detailed Financial Analysis

Operating Expenses

Three months ended March 31	2008	2007
Salaries and benefits	**$2,317**	$598
Professional fees	**436**	293
Office and general	**273**	266
Travel and entertainment	**274**	100
Regulatory and transfer agent	**147**	72
Interest expense	**229**	51
Depreciation and amortization	**43**	16
	$3,719	$1,396

- Salaries and benefits include gross salaries, employee benefits and stock based compensation. Coastal had 14 employees in Q1 2007 compared to 30 in Q1 2008. Employee benefits have increased primarily in the area of stock based compensation. In Q1 2007, stock based compensation expense was $169,000 compared to $1,199,000 in Q1 2008. This increase is the result of several grants and their related compensation expense – see Note 9 to the unaudited interim financial statements as at and for the period ended March 31, 2008.

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

- Professional fees have increased due to increased usage of consultants.
- Office and general expenses have increased slightly due to increased headcount.
- Travel and entertainment has increased due to increased headcount.
- Regulatory and transfer agent fees have increased due to Coastal's increase in market capitalization and fees that are based thereon.
- In Q1 2007 the Company only incurred interest expense on amounts due to shareholder (see Note 7 to the unaudited financial statements for the three months ended March 31, 2008.) In Q1 2008 the Company incurred interest expense on amounts due to shareholder and long-term debt (see Note 8 to the unaudited financial statements for the three months ended March 31, 2008.)
- Depreciation and amortization expense is only being incurred on corporate assets (see Note 5 to the unaudited financial statements for the three months ended March 31, 2008.)

Other Items

Three months ended March 31	**2008**	**2007**
Share of earnings (loss) of Apico:		
36.1% of Apico's unaudited net income	**$3,123**	$2,008
Amortization of Coastal's excess basis	**(255)**	(445)
Total share of earnings (loss) of Apico	**2,868**	1,563
Unrealized gain (loss) on derivative	**27**	-
Interest Income	**245**	101
Foreign exchange gain (loss):		
Unrealized on Thai tax liability	**(1,932)**	(763)
Net effect of cash held in foreign currencies	**(68)**	(244)
Realized	**(1,382)**	-
Total foreign exchange gain (loss)	**(3,382)**	(1,007)
	$(242)	$657

- Under the equity method of accounting, the Company records its share of net income of Apico based on the reported quarterly net income of Apico. Apico recorded its first quarter of profitability in Q4 2006, when the Phu Horm gas field began production. Q1 2007 was the first full quarter of production for the Phu Horm gas field. 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 has been allocated to Apico's oil & gas properties and is being amortized using the units of production method beginning in Q1 2007.

- As a condition of the Company's reserve based revolving debt facility, the Company purchased a derivative agreement effective July 1, 2007. The Company adjusts the fair value of this agreement (mark to market) every quarter with the changes in fair value recognized in net earnings.

- Interest income is the result of the Company investing excess cash in highly liquid investments and restricted cash held in interest bearing accounts. In Q1 2008, the Company invested proceeds from the stock offering in highly liquid investments after paying off the current loans under the long-term debt facility.

- The foreign exchange gain (loss) is a result of the Company carrying out transactions and maintaining certain assets and liabilities in currencies other than the US Dollar, including the Canadian Dollar, the British Pound and the Thai Baht. In Q1 2008, the Company received its net proceeds from the stock offering in Canadian dollars. When these Canadian dollars were converted to US dollars, the Company realized a $1.1 million loss due to adverse currency movements.

    - On September 25, 2006, the Company acquired all of the issued and outstanding shares of NuCoastal Thailand Limited in a transaction accounted for as a reverse takeover ("RTO"). As part of this RTO, the purchase price allocation included the establishment of a future income tax liability on assets located in Thailand. This liability relates to Thailand and is denominated in Thai Baht. Every quarter it is re-valued and the corresponding gain/loss is recognized in net earnings.

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

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Discontinued Operations

In August 2007, the Company formally relinquished all its working interest in the Nevada leases to the operator in exchange for the Company's current obligation to pay the operator $21,000 related to well clean up costs along with all future obligations surrounding this working interest. The Company wrote off its interest in this property of approximately $2 million. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The operator was considered a related party because a director of the Company is also an officer and director of the Operator.

Commitments and Contingencies

There have been no material changes in the Company's commitments and contingencies as described in the Management's Discussion and Analysis for the year ended December 31, 2007 and also in Note 12 to the annual audited financial statements for the year ended December 31, 2007.

Subsequent Events

On May 6, 2008 the Company announced that the SPH-1 well was drilled to a total depth of approximately 3229 meters (-2,640 meters sub-sea) and encountered gas shows in both the Hua Hin Lat and Pha Nok Khao (PNK) formations. In April 2008, a full suite of logs were run and an open hole test conducted across the PNK primary target interval. The SPH-1 well tested gas at rates, after acid stimulation, that would not support commercial production from this location. The drilling, log and test data suggest the fracturing necessary to provide effective deliverability in the PNK carbonates is not present at the SPH-1 location and the well has been suspended pending further evaluation for a side track.

Equity Capital

a) Share Capital

250,000,000 common shares with par value of $0.04 each; As of the date of this report, the Company had 93,615,720 common shares outstanding.

b) Stock Options

On January 24, 2008, options for 62,500 shares were exercised. The Company granted stock options for 1,375,000 shares on January 25, 2008 and 1,000,000 shares on February 5, 2008. On May 5, 2008 options for 125,000 shares were exercised and stock options for 200,000 shares were granted. On May 6, 2008 options for 125,000 shares expired. The following table summarizes the outstanding and exercisable options as of the date of this report:

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jan. 25, 2005	187,500	0.75 years	$0.79 (£0.40)	Jan. 25, 2009	187,500
Jul. 06, 2005	175,000	2.25 years	$2.78 (£1.40)	Jul. 06, 2010	175,000
Dec. 27, 2006	2,650,000	3.75 years	$2.14 (C$2.20)	Dec. 27, 2011	1,325,000
Jun. 15, 2007	375,000	4.25 years	$2.88 (C$2.96)	Jun. 16, 2012	93,750
Jan. 25, 2008	1,375,000	4.75 years	$3.83 (C$3.94)	Jan. 26, 2013	343,500
Feb. 05, 2008	1,000,000	4.75 years	$3.83 (C$3.94)	Feb. 06, 2013	250,000
May 05, 2008	200,000	5.00 years	$4.32 (C$4.44)	May 06, 2013	50,000
	5,962,500				2,424,750

c) Warrants

As of the date of this report, the Company had 2,343,745 warrants outstanding exercisable at $5.56 (£2.80) per share and expiring on July 20, 2010.

Critical Accounting Policies and Estimates

A detailed summary of the company's critical accounting policies and estimates is included in Management's discussion and analysis for the year ended December 31, 2007 and also in Note 2 to the annual audited financial statements for the year ended December 31, 2007.

New Accounting Pronouncements

A detailed summary of new accounting pronouncements and their effect on the Company is included in Note 1 to the unaudited interim financial statements as at and for the period ended March 31, 2008.

Risks and Uncertainties

Coastal has published its assessment of its business risks in the Risk Factor section of its Annual Information Form ("AIF") dated April 28, 2008 (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, at the present, has limited available capacity and therefore may demand premium rates. The Company seeks to counter these risks as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic returns.

a) Going Concern

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

b) Industry

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

c) 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. While prices for petroleum and natural gas have increased significantly since the start of 2003, there is no assurance that this trend will continue or that current prices will be sustained.

d) Cash Flows and Additional Funding Requirements

The Company presently has earnings from its interest in Apico, which is accounted for under the equity method on the consolidated statement of operations. In order to put the offshore Gulf of Thailand property into commercial production, substantial capital will be required. The sources of capital presently available to the Company for development are from borrowings under the Company's revolving credit facility or the sale of 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 facility. The Company has not hedged these rates given the need to remain flexible in borrowing and repaying the outstanding balances.

e) 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.

f) Laws and Regulations

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

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

g) Title to Oil & Gas Properties

While the Company has undertaken customary due diligence in the verification of title to its oil & 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.

h) 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 materially adverse effect on the Company.

i) Apico Financial Reporting

The Company accounts for its 36.1% investment in Apico under the equity method whereby it records its share of Apico's earnings as earnings from a significantly influenced investee. Apico is required to provide the partners its financial statements under the Joint Venture Agreement on a timely basis. While the Company has a seat on the 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 as required by CICA handbook section 3862 "Financial Instruments – Disclosures" on its exposure to and management of credit risk, liquidity risk and market risk in Note 11 to the unaudited interim financial statements as at and for the period ended March 31, 2008.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2007, that the Company's disclosure controls and procedures as of December 31, 2007 are effective to provide reasonable assurance that material information related to the Company is made known to them by others within the Company.

In addition, the certifying officers of the Company are responsible for designing or causing internal controls over financial reporting to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The certifying officers have concluded that the Company's internal control over financial reporting, as defined in 52-109, is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the year ended December 31, 2007, in accordance with Canadian GAAP.

There has been no change in the Company's disclosure controls and procedures or internal control over financial reporting that occurred during the most recently completed quarter that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls or internal control over financial reporting.

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

Outlook

Coastal anticipates drilling up to 5 wells in the Songkhla oil field and up to 3 wells on an adjacent structure in the Gulf of Thailand during 2008. As a result of the drilling, the Company anticipates bringing oil production on-line in the Songkhla oil field in the fourth quarter of 2008 and production on-line in the Bua Ban field in the second quarter of 2009. In addition, the Company anticipates acquiring 2-D seismic in the northern part of its G5/43 Block in the Gulf of Thailand during 2008.

Coastal anticipates Apico will drill 2 additional wells in its onshore Thailand properties in the L13 and L27 blocks.

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

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	Three months ended March 31	
	2008	2007
	$	$
Expenses		
Salaries and benefits	**2,317**	598
Professional fees	**436**	293
Office and general	**273**	266
Travel and entertainment	**274**	100
Regulatory and transfer agent	**147**	72
Interest expense	**229**	51
Depreciation and amortization	**43**	16
	3,719	1,396
Other (income) expense items		
Share of earnings of significantly influenced investee, net of taxes	**(2,868)**	(1,563)
Unrealized gain on derivative (Note 8)	**(27)**	-
Interest income	**(245)**	(101)
Foreign exchange loss	**3,382**	1,007
	242	(657)
Net loss and comprehensive loss	**(3,961)**	(739)
Deficit, beginning of period	**(12,164)**	(4,931)
Deficit, end of period	**(16,125)**	(5,670)
Loss per share		
Basic and diluted	**(0.04)**	(0.01)
Weighted average number of common shares outstanding		
Basic and diluted	**92,195,694**	76,858,222

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

CONSOLIDATED BALANCE SHEETS

	March 31 2008	December 31, 2007
	$	$
Assets		
Current assets		
Cash and cash equivalents	**20,466**	13,149
Restricted cash (Note 2)	**1,527**	2,048
Accounts receivable and other (Note 3)	**496**	450
	22,489	15,647
Investment in and advances to Apico LLC (Note 4)	**56,056**	53,188
Property, plant and equipment, net (Note 5)	**107,695**	88,762
Other long-term assets	**78**	57
	186,318	157,654
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	**9,674**	9,793
Amounts due to shareholder (Note 7)	**4,995**	4,940
	14,669	14,733
Long-term debt (Note 8)	**-**	25,000
Future income tax liability	**28,808**	26,876
	43,477	66,609
Shareholders' equity		
Share capital (Note 9)	**3,740**	3,079
Contributed surplus	**155,226**	100,130
Deficit	**(16,125)**	(12,164)
	142,841	91,045
	186,318	157,654

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

CONSOLIDATED STATEMENTS OF CASH FLOW

	March 31,	
	2008	2007
Operating activities	**$**	$
Net loss for the period	(3,961)	(739)
Net loss from discontinued operations	-	-
Items not involving cash (Note 13)	402	(320)
Change in non-cash working capital		
Accounts receivable and other	(46)	(264)
Accounts payable and accrued liabilities	200	(2,905)
Cash used in operating activities of continuing operations	(3,405)	(4,228)
Cash used in operating activities of discontinued operations	-	-
Cash used in operating activities	(3,405)	(4,228)
Investing activities		
Investment in and advances to Apico LLC	-	(481)
Decrease in restricted cash	521	-
Purchase of property, plant and equipment, net	(19,295)	(1,103)
Acquisition of financial instrument and other	6	(38)
Cash used in investing activities of continuing operations	(18,768)	(1,622)
Cash used in investing activities of discontinued operations	-	(4)
Cash used in investing activities	(18,768)	(1,626)
Financing activities		
Issuance of shares for cash	54,558	-
Repayment of long-term debt	(25,000)	-
Cash provided by financing activities of continuing operations	29,558	-
Cash provided by financing activities of discontinued operations	-	-
Cash provided by financing activities	29,558	-
Net effect of foreign exchange on cash held in a foreign currencies	(68)	(244)
Change in cash and cash equivalents	7,317	(6,098)
Cash and cash equivalents, beginning of year	13,149	18,350
Cash and cash equivalents, end of year	20,466	12,252
Cash and cash equivalents consists of:		
Cash	11,351	686
Short-term money market instruments	9,115	11,566
	20,466	12,252

Supplemental cash flow information (Note 13)

Note 1. Basis of presentation

These interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and follow the same accounting policies and methods of their application as the audited consolidated financial statements of the Company as at December 31, 2007, except as described below. These financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the year ended December 31, 2007. Certain disclosures that are normally required to be included in the notes to the annual financial statements have been condensed or excluded. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Comparative Figures

As described below, certain of the prior year's figures have been reclassified to conform to the current year presentation.

The Company previously presented stock based compensation expense as a separate line item within the expenses section of the statement of operations, comprehensive loss and deficit. The Company now presents stock based compensation expense within the same financial statement line item as salaries and benefits and has reclassified the prior year figures to conform to this presentation.

Changes in Accounting Policies

Effective January 1, 2008, the Company has adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Capital Disclosures (CICA Handbook Section 1535)
In accordance with this new standard, the Company now discloses its objectives, policies and processes for managing capital. This includes qualitative information regarding Coastal's objectives, policies and processes for managing its capital and quantitative data about what Coastal manages as capital. These disclosures are based in information used internally by Coastal's management. See Note 10.

Financial Instruments (CICA Handbook Section 3862) and Financial Instruments – Presentation (CICA Handbook Section 3863)
CICA Handbook Sections 3862 and 3863 replace section 3861 "Financial Instruments – Disclosure and Presentation." The effect of this change was to revise financial instrument disclosure requirements and leave the presentation requirements unchanged. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how Coastal manages these risks. See Note 11.

Future Accounting Changes
The CICA issued a new accounting standard section 3064 "Goodwill and intangible assets" which is effective for Coastal in the first quarter 2009. This standard replaces section 3062 "Goodwill and other intangible assets" and section 3450 "Research and development costs." This section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Financial reporting Standard IAS 38, "Intangible Assets." Emerging Issues Committee (EIC) abstract 27 "Revenues and expenditures during the pre-operating period" is no longer applicable for Coastal once section 3064 is adopted. Accounting Guideline (AcG) 11 "Enterprises in the development stage" is amended to delete references to deferred costs and to provide guidance on development costs as intangible assets under section 3064.

Coastal is currently evaluating the effects that these changes may have on Coastal's financial statements in accordance with Canadian GAAP.

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

Note 2. Restricted Cash

The Company has cash, the use of which is restricted by the Company's banking institutions. The following table summarizes the restricted cash as of March 31, 2008 and December 31, 2007.

	March 31, 2008	December 31, 2007
Collateral in support of Corporate Letter of Credit	**$722**	$667
Restricted in support of Corporate Long-term Debt	**805**	1,381
	$1,527	$2,048

Note 3. Accounts receivable and other

	March 31, 2008	December 31, 2007
Prepaids, deposits and other assets	**$194**	$312
Refundable taxes	**300**	132
Other receivables	**2**	6
	$496	$450

Note 4. Investment in and advances to Apico LLC

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

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

The Company's September 2006 additional investment in Apico exceeded its proportionate share of net assets of Apico by $18.7 million ("excess basis"). This difference has been allocated to Apico's oil and gas properties and is being amortized using the units of production method in accordance with the Company's accounting policy. At March 31, 2008, the remaining unamortized excess basis is $16.9 million.

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

	March 31, 2008	December 31, 2007
Balance, beginning of period	**$53,188**	$44,046
Advances during the period	**-**	1,463
Amortization of excess basis in Apico	**(255)**	(1,533)
Share of earnings of significant investee	**3,123**	9,212
Balance, end of period	**$56,056**	$53,188

Subsequent to March 31, 2008, Apico made a cash distribution of $5.2 million to the Company.

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

Note 5. Property plant and equipment

	March 31, 2008			December 31, 2007		
	Cost	**AD&A***	**Net**	Cost	AD&A*	Net
Oil and gas properties						
Thailand	**$81,431**	**$ -**	**$81,431**	$75,687	$ -	$75,687
Oil and gas production equipment	**15,001**	**-**	**15,001**	2,510	-	2,510
Construction in progress	**10,789**	**-**	**10,789**	10,125	-	10,125
Office furniture & computer equipment	**516**	**(133)**	**383**	450	(109)	341
Leasehold improvements	**126**	**(35)**	**91**	125	(26)	99
	$107,863	**$(168)**	**$107,695**	$88,897	$(135)	$88,762

* Accumulated depreciation and amortization

During the three months ended March 31, 2008 and 2007 the Company capitalized $0.845 million and $0.175 million, respectively, of general and administrative overhead into oil and gas properties.

Thailand

The Company has a 100% working interest in Block G5/43 in the Gulf of Thailand which includes the Bua Ban and Songkhla oil fields and 100% interest in Block G5/50 in the Gulf of Thailand.

Oil and gas production equipment

The Company is acquiring equipment to be used in the production of the Company's interests in the Gulf of Thailand. Once these assets are put into service, the Company will start depreciating them using the straight line method over their respective useful lives in accordance with the Company's accounting policy.

Construction in progress

Construction in progress relates to the acquisition and refurbishment of a mat-based jack-up rig which the Company intends to use in its development of its interests in the Gulf of Thailand. Once this asset is placed in service, it will be depreciated using the straight line method over its useful life in accordance with the Company's accounting policy.

Note 6. Accounts payable and accrued liabilities

	March 31, 2008	December 31, 2007
Accounts payable	**$3,987**	$2,497
Accrued expenses	**5,687**	7,296
	$9,674	$9,793

Note 7. Amounts due to shareholder

Effective September 25, 2006, the Company assumed a note payable to NuCoastal's shareholder for $4.7 million. The original note was unsecured, accrued interest at 4% and was set to mature on July 20, 2007. In January 2007, the note and its accrued interest were renegotiated to accrue interest at 4.5% per annum and mature on July 20, 2008.

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

Note 8. Long-term Debt

During the year ended December 31, 2007, the Company entered into a $50 million revolving debt facility (the "Facility") secured by the Company's investment in Apico and with a final maturity date of December 31, 2013. The Facility, arranged and managed by Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC"), consists of a $42.5 million senior loan and a $7.5 million junior loan. The Facility is in the form of a borrowing base loan and its availability is subject to recalculation every quarter. As of March 31, 2008, the amount available under the borrowing base was $41.8 million, under which the Company had drawn a total of $nil.

Loans under this Facility bear interest at SMBCs' LIBOR plus an applicable margin between 1.75% and 3.5%. The applicable LIBOR rate is determined by the length of the interest renewal period; and the margin is dependent upon whether the loan is drawn under the senior or junior terms and the aggregate amount of loans outstanding. The effective interest rate on the Facility for the three months ended March 31, 2008 was 7.90%. As part of the Facility, the Company is required to deposit funds into a bank account, which is considered restricted as to its availability (see Note 2**)**.

As a requirement of the Facility, the Company entered into a derivative hedging agreement with an affiliate of SMBC under which the Company has the right to sell 4,000 metric tons per month (up to a total of 96,000 metric tons) of Singapore fuel oil at a price of $290.00 per metric ton starting July 1, 2007 and expiring June 30, 2009. The Company paid $1.2 million for this option. Derivative positions are recorded on the balance sheet at fair value with changes in fair value recorded in the statement of operations and deficit. As at March 31, 2008 the fair value of the option was $27,864, during the three months ended March 31, 2008 the Company recorded $27,385 of unrealized gains on this instrument.

Note 9. Share capital

Common Stock

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

Issued and fully paid common shares

	Common Stock		Contributed
	Shares	**Amount**	**Surplus**
Balance, December 31, 2006	76,858,220	$3,074	$99,224
Shares issued pursuant to exercise of stock options	125,000	5	95
Stock-based compensation	-	-	811
Balance, December 31, 2007	**76,983,220**	**$3,079**	**$100,130**
Shares issued pursuant to the offering, net of issuance costs	16,445,000	658	53,778
Shares issued pursuant to exercise of stock options	62,500	3	119
Stock-based compensation	-	-	1,199
Balance, March 31, 2008	**93,490,720**	**$3,740**	**$155,226**

On January 8, 2008, the Company completed a public offering of 16,445,000 common shares (including the over-allotment option of 2,145,000 common shares) of the Company at a price of $3.50 (Cdn $3.50) per common share, raising gross proceeds of $57.6 million (Cdn $57.6 million). Proceeds of the offering, net of issuance costs of approximately $3.1 million, were $54.5 million. During January 2008, the Company used $25 million of these proceeds to repay the loans outstanding under the long-term debt (see Note 8).

Stock Options

During the three months ended March 31, 2008, options for 62,500 common shares were exercised, nil options expired unexercised and 2,375,000 options were granted with an exercise price of Cdn $3.94 and expiry dates of January 26 and February 6, 2013. The following table summarizes the outstanding and exercisable options at March 31, 2008:

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

Note 9. Share capital (continued)

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jan. 25, 2005	187,500	0.75 years	$0.79 (£0.40)	Jan. 25, 2009	187,500
Jul. 06, 2005	175,000	2.25 years	$2.78 (£1.40)	Jul. 06, 2010	175,000
Dec. 27, 2006	2,900,000	3.75 years	$2.14 (C$2.20)	Dec. 27, 2011	1,450,000
Jun. 15, 2007	375,000	4.25 years	$2.88 (C$2.96)	Jun. 16, 2012	93,750
Jan. 25, 2008	1,375,000	4.75 years	$3.83 (C$3.94)	Jan. 26, 2013	343,500
Feb. 05, 2008	1,000,000	4.75 years	$3.83 (C$3.94)	Feb. 06, 2013	250,000
	6,012,500				2,499,750

Warrants

As of March 31, 2008, the Company had 2,343,745 warrants outstanding, exercisable at $5.56 (£2.80) per share and expiring July 20, 2010.

Stock-based compensation

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

	2008	2007
Risk-free interest rate	**3.00%**	4.25%
Expected life	**3 years**	3 years
Annualized volatility	**40%**	40%
Dividend rate	**0%**	0%
Weighted average grant date fair value per option	**$1.29**	$0.92

Note 10. Capital management

Coastal's capital consists of amounts due to shareholder, long-term debt, and common stock. As the Company does not have commercial operations, the majority of its capital to date has resulted from the issuance of debt and equity. A description of the amounts due to shareholder is identified in Note 7. The Company's long term debt and related changes during the period are detailed in Note 8. Equity accounts for Coastal are identified in Note 9.

Coastal is a public company and has established access in past transactions to both public and private debt and equity markets. Coastal anticipates continuing to access both the debt and equity markets to fund future growth of the business.

Note 11. Financial instruments and risk management

Fair values

Coastal's financial instruments include cash and cash equivalents, restricted cash, accounts receivable and other, and accounts payable and accrued liabilities of which their carrying value approximate their fair value due to their short-term nature. The Company's derivative contract is considered held-for-trading and its fair value is marked-to-market every quarter. Amounts due to shareholder and long term debt are considered other financial liabilities and are recorded at amortized cost.

Coastal considers its risks in relation to financial instruments in the following categories:

Note 11. Financial instruments and risk management (continued)

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 cash equivalents and restricted cash; (2) accounts receivable and other; (3) derivative contract. The Company has not had any credit losses in the past and nor does it anticipate future credit losses. At March 31, 2008, the Company has no financial assets that are past due or impaired due to credit risk related defaults.

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, 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.

At March 31, 2008, the Company had cash and cash equivalents of $20.5 million, which, in management's opinion, is sufficient, combined with the revolving credit facility, to cover ongoing obligations as they become due. Beginning with December 2006, Apico has been largely self-funding as a result of production from its Phu Horm interest and in April 2008 Apico made a cash distribution to Coastal of $5.2 million. The Company presently has earnings from its interest in Apico, which is accounted for under the equity method on the Statement of Operations, Comprehensive Loss and Deficit.

In order to put the offshore Gulf of Thailand property into commercial production, substantial capital will be required. The additional sources of capital presently available to the Company for development are from additional borrowings under the Company's revolving credit facility or the sale of equity. In June 2007, the Company secured $50 million of borrowing base credit facilities, maturing on December 31, 2013. The Facility is secured by the Company's investment in Apico, LLC.

The Company's financial liabilities arose primarily from the development of its Thailand properties, both offshore and onshore. At March 31, 2008 the Company had met all of the obligations associated with its financial liabilities.

Market Risk

Market risk is the risk that the fair value (for assets or liabilities considered to be held-for-trading 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 assess 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.

Note 11. Financial instruments and risk management (continued)

The following sections describe these risks in relation to the Company's financial instruments.

Cash and Cash Equivalents and Restricted Cash

The Company has cash deposits in multiple currencies in various countries with two international banks. In addition, the Company holds money market investments with one of these banks. Coastal's selection of counterparty is governed by credit ratings, which requires the Company to use only banking institutions that are rated AA or better by Standard & Poor or Moody's equivalent. At March 31, 2008, the amount of cash and cash equivalents and restricted cash was $22.0 million and the maximum exposure to a single counterparty was $19.2 million.

At March 31, 2008, the money market investments made by the Company are in funds which hold staggered investments in certificates of deposits, commercial paper, bonds, floating rate notes and time deposits of banks and other commercial lending institutions. The Company can increase and decrease its investment in these money market accounts when necessary to maximize its earnings and ensure cash availability for project development and general corporate purposes.

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.

Accounts Receivable and Other

The Company's accounts receivable and other consists primarily of Value Added Tax ("VAT") refunds from the governments of Great Britain and Thailand and prepaid insurance. Therefore, the Company's primary credit risk in regards to this category is on the underwriter(s) of the insurance policies on which the Company has paid annual premiums. In an effort to minimize this credit risk, the Company has chosen global insurance underwriters with an A+ or better credit rating by Moody's and Standard & Poor's.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised primarily of amount due related to the development of the Company's Thailand oil & gas properties and other corporate expenses. Payment terms on these amounts are typically 30 to 60 days from receipt of invoice and generally do not bear interest. The Company has met its obligations in respect of these liabilities. At March 31, 2008, accounts payable and accrued liabilities were $9.6 million.

Long Term Debt

The terms of the Company's long term debt obligation are described in Note 8. The Company has met its obligations with respect to this liability. The Company accounts for its borrowings under the long term debt on an amortized cost basis.

Derivative Agreement

As a requirement of the debt facility, the Company entered into a derivative hedging agreement described in Note 8. Coastal's derivative contract was in place and the Company executed no sales under it during the quarter ended March 31, 2008.

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

Note 12. Discontinued Operations

In August 2007, the Company formally relinquished all its working interest in the Nevada leases to the temporary operator (see Note 12) in exchange for the Company's current obligation to pay the operator $21,000 related to well clean up costs along with all future obligations surrounding this working interest. The Company wrote off its interest in this property of approximately $2 million. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The operator was considered a related party because a director of the Company is also an officer and director of the Operator.

The Nevada leases were the only property within the United States cost centre. Accordingly, the information related to the Nevada leases is presented as discontinued operations in the Company's consolidated financial statements.

Note 13. Supplemental cash flow information

The following table summarizes items not involving cash for the period ended March 31, 2008 and 2007.

Periods ended March 31,	**2008**	2007
Depreciation and amortization	**$43**	$16
Foreign exchange loss	**2,000**	1,007
Interest expense	**55**	51
Stock based compensation	**1,199**	169
Share of earnings of significantly influenced investee	**(2,868)**	(1,563)
Unrealized (gain) loss on derivative instrument	**(27)**	-
	$402	$(320)

During the period ended March 31, 2008:

- The Company made no cash payments of income taxes.
- The Company made cash payments of $174,000 for interest on long term debt.

During the period ended March, 31, 2007:

- The Company made no cash payments for interest or income taxes.

Note 14. Segmented information

Operating segment

The Company's current operations are in one business segment, being the acquisition and exploration of oil and gas properties, primarily in Thailand.

Geographic segments

The Company's oil and gas assets as at March 31, 2008 and December 31, 2007 and revenues and expenses for the three months ended March 31, 2008 and 2007 were as follows:

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

Note 14. Segmented information (continued)

	Corporate		Thailand		Total	
	2008	2007	**2008**	2007	**2008**	2007
Oil and gas assets						
Investment in Apico	**$ -**	$ -	**$56,056**	$53,188	**$56,056**	$53,188
Property, plant & equipment, net	**21,073**	11,756	**86,622**	77,006	**107,695**	88,762
Subtotal	**$21,073**	$11,756	**$142,678**	$130,194	**$163,751**	$141,950
Operating expenses	**$(3,118)**	$(1,212)	**$(601)**	$(184)	**$(3,719)**	$(1,396)
Share of Apico's earnings	**-**	-	**2,868**	1,563	**2,868**	1,563
Unrealized gain on derivative	**27**	-	**-**	-	**27**	-
Interest income	**245**	101	**-**	-	**245**	101
Foreign exchange loss	**(3,098)**	(526)	**(284)**	(481)	**(3,382)**	(1,007)
Net income (loss) for the period	**$(5,944)**	$(1,637)	**$1,983**	$898	**$(3,961)**	$(739)

NON-INDEPENDENT DIRECTORS

Frank A. Inouye, Chairman(4)

Randy L. Bartley, President and CEO(4)

INDEPENDENT DIRECTORS

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

Bernard de Combret (3)(4)
Former Deputy Chairman Executive Committee
Total Fina Elf, S.A.

Olivier de Montal (2)
Administrator, Olympia Capital Holding

John J. Murphy (3)
Former Chairman & CEO, Dresser Industries, Inc.

Lloyd Barnaby Smith (2)
Former British Ambassador to Thailand

Forrest E. Wylie (1)(3)(4)
Chairman, CEO & President
Buckeye Partners, L.P.

John B. Zaozirny (1)
Counsel to McCarthy Tetrault LLP

Committees of the Board: (1) Audit, (2) Compensation, (3) Corp. Governance and (4) Executive

EXECUTIVE MANAGEMENT

Randy L. Bartley, President, CEO, Director

William C. Phelps, Chief Financial Officer

John M. Griffith, Vice President, Thailand Operations

Stephen M. Holder, Vice President, Controller

Allan H. Armitage, General Manager, Thailand

CORPORATE SECRETARY

Kim R. Landon, General Counsel

INVESTOR RELATIONS

Frank A. Inouye, Chairman
T: +44 (0) 1483 549 555
Email: investor@CoastalEnergy.com

Website: www.CoastalEnergy.com
Trading Symbols: CEO on AIM / CEN on TSX-V

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
bbls/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-V	TSX Venture Exchange (Canada)
AIM	London AIM Exchange (UK)

THIRD PARTY ADVISORS

Petroleum and Geological Engineers:
Huddleston & Co., Inc.

Corporate Bankers:
Sumitomo Mitsui Banking Corporation
Hongkong and Shanghai Banking Corporation

Auditors:
Deloitte & Touche LLP

Legal Counselors:
Stikeman Elliott LLP (Canada & UK)
Walkers SPV Limited (Cayman Islands)
Johnson Stokes & Masters (Thailand)
CK (Corporate Services) (Mauritius)

Stock Registrars:
Pacific Corporate Trust Company (TSX-V)
Capita Registrars (LSE-AIM)

Nominated Advisor (NOMAD):
KBC Peel Hunt, Ltd.

Public Relations Firm:
Bell Pottinger Corporate & Financial

COASTAL ENERGY COMPANY

Walkers House, 87 Mary Street
George Town, Grand Cayman
Cayman Islands, BWI

1 Farnham Road
Guildford, Surrey GU2 R4G England
T: +44 (0) 1483 549 549
F: +44 (0) 1483 549 570

3355 West Alabama, Suite 500
Houston, Texas 77098 USA
T: +01 713 877 7125
F: +01 713 877 7128