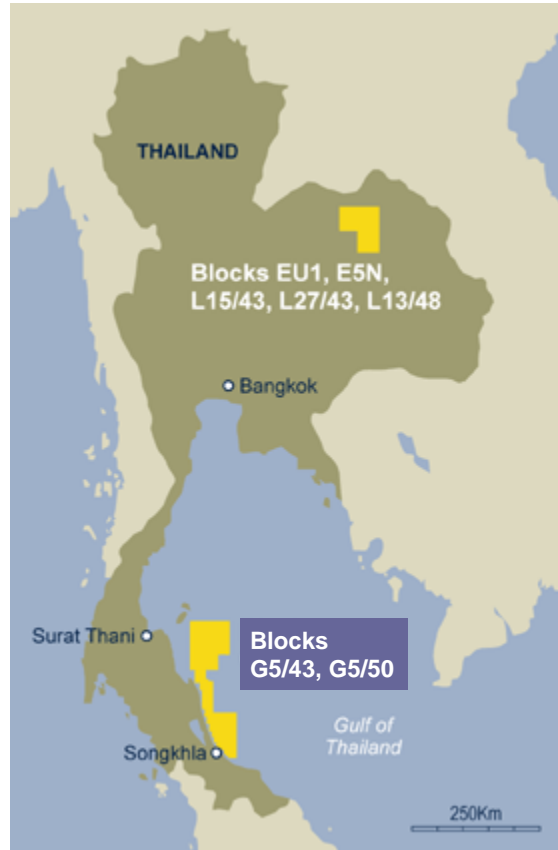




QUARTERLY REPORT
COASTAL ENERGY
MARCH 31, 2009

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008



Coastal Energy's Oil & Gas interests

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President's Report to the Shareholders

Coastal Energy has made important progress during the first few months of 2009. In late February, we completed the installation of a Mobile Offshore Production Unit (MOPU) at the Songkhla field offshore Thailand and began production from the Songkhla Main A-01 and A-03 Oligocene wells. The A-07 Eocene well was brought online in mid-April. Combined production from the three wells at Songkhla is currently 7,500 barrels of oil per day, bringing total production to 9,250 boe/d, including 1,750 boe/d of onshore gas production from Phu Horm.

In April 2009, we also announced a significant upgrade to our reserves as reported by our independent auditor, Huddleston & Co. As a result of our 2008 drilling program, offshore Proven (1P) reserves more than doubled to 18.1 mmbbl. Offshore Proven plus Probable (2P) reserves increased to 41.5 mmbbl from 26.7 mmbbl. Coastal's total Proven reserves are now 26.6 mmboe and total Proven + Probable reserves stand at 62.2 mmboe.

Coastal also closed a pre-sale of 1,050,000 barrels of crude oil in early April 2009. Our counterparty prepaid us based on the price of Dubai crude at the date of the agreement, with a price adjustment payment to be made at the end of the contract's duration. The proceeds from this transaction helped to significantly strengthen our working capital position.

In May 2009, we announced that the wells at Songkhla were experiencing increased water production. The level of water production is consistent with Huddleston & Co.'s production profile for Songkhla at this point in the life of the field. The current water production is indicative of a strong water drive reservoir which will support higher recovery rates with further development. We plan to begin further development of the Songkhla field and satellite structures in late third quarter 2009.

Coastal closed a 5 million share equity offering on May 28, 2009 raising gross proceeds of approximately US\$14.35MM. The proceeds from this offering will improve the Company's working capital situation and provide greater financial flexibility going forward.

We are optimistic about the prospects for the Company for the remainder of 2009. The Company is off to a successful start. We expect the second half of the year to bring further progress in the development of our offshore assets and further success for Coastal.

On behalf of the Board of Directors

Randy L. Bartley

President and Chief Executive Officer
May 28, 2009

COASTAL ENERGY COMPANY

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(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 26, 2009, should be read in conjunction with the accompanying unaudited consolidated financial statements for the three months ended March 31, 2009 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. 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-V and "CEO" on the AIM exchange.

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
Gulf of Thailand	
Block G5/43	100.0%
Block G5/50 (within the boundaries of Block G5/43)	100.0%
Onshore Thailand (via the Company's 36.1% ownership of Apico LLC ("Apico"))	
Blocks 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 2009 Highlights

- On January 7, 2009, the Company announced that it had entered into an unsecured loan agreement in the amount of US \$3 million bearing interest at 15% per annum and maturing on June 30, 2009. Of this amount, \$2 million was received late in December 2008 and the remaining \$1 million was received early in January 2009. This debt was funded by related parties of the Company's primary shareholder. The debt was issued separately from the Senior Unsecured Note Offering announced on December 22, 2008 due to securities exchange regulations which prohibit insiders from participating in debt offerings which include a warrant issue as consideration.
- On January 20, 2009, the Company closed a US \$5 million Senior Secured Note with a private partnership bearing interest at 16% per annum and maturing six months from the date of issue. The note is secured by the Company's Ocean 66 jackup platform which is currently located in Galveston, Texas.
- On January 23, 2009, the Company completed its offering of 100 Senior Unsecured Notes raising gross proceeds of \$10 million. The notes bear interest at 15% per annum and mature on January 23, 2010. Each \$100,000 note was issued with a warrant entitling the holder thereof to acquire 20,000 shares of the Company's common shares at a strike price of Cdn \$1.136. The warrants expire on January 23, 2014.
- On March 3, 2009, the Company announced that it resumed production at its Songkhla field in the Gulf of Thailand from a Mobile Offshore Production unit ("MOPU") on February 23, 2009.

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

- On March 5, 2009, the Company entered into a Crude Oil Sales Agreement. Under the terms of the Agreement, the Company will deliver 1,050,000 barrels of crude oil to the buyer from its Songkhla field between April 1, 2009 and July 31, 2009. The Company's counterparty prepaid the Company the entire value of the 1,050,000 bbl load on April 3, 2009 using the Dubai crude price as of the date of the Agreement as the reference price. The parties will adjust the entire load's value to the average Dubai crude price during the delivery period and a settlement payment will be made by the appropriate party. The Company used a portion of the proceeds to reduce its accounts payable balance.
- The Company has reported \$1.410 million as its share of earnings of significantly influenced investee, net of taxes. This represents \$1.595 million (its 36.1% of Apico's unaudited first quarter net income of \$4.413 million) less \$0.185 million for amortization of the Company's excess basis in Apico (see Note 4 to the unaudited interim financial statements for the three months ended March 31, 2009.)
- The Phu Horm gas field, in which the Company has a net 12.6% indirect interest, was producing approximately 99 mmcf/d as of March 31, 2009.

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.

Non-GAAP Measures

This report contains financial terms that are not considered measures under Canadian generally accepted accounting principles ("GAAP"), such as funds flow from operations, funds flow per share, EBITDA, net debt and operating netback. 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 stock-based compensation. 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.

Funds flow from operations, funds flow per share, EBITDA, net debt and operating netbacks are not defined by GAAP, and consequently are referred to as non-GAAP 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 GAAP.

Oil & Gas Properties

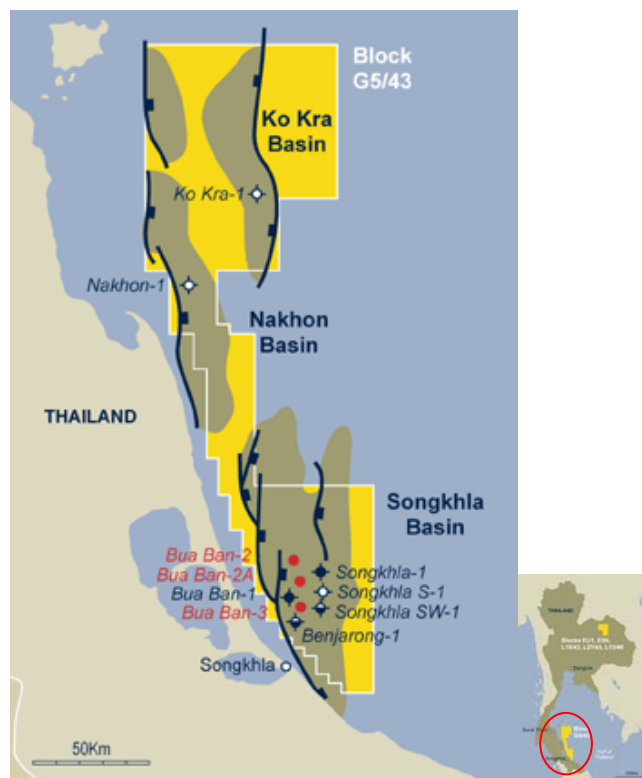
Summary of Oil & Gas Properties	Thailand Onshore	Gulf of Thailand	Totals
Balance, December 31, 2008	50,376	150,443	200,819
Additions during the period:			
Exploration & development	-	11,694	11,694
Equity earnings in Apico, net of distributions	872	-	872
Amortization	(185)	(4,654)	(4,839)
Balance, March 31, 2009	51,063	157,483	208,546

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(a) Gulf of Thailand Properties



The Company maintains 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 9,049 square kilometres and average water depths are approximately 70 feet. Block G5/50 contains approximately 554 square kilometres of acreage within the boundaries of Block G5/43.

The Company drilled three wells (two development and one exploration) on the Songkhla field of Block G5/43 in the fourth quarter of 2008. The Songkhla A-01 and A-03 development wells both encountered oil in the Lower Oligocene primary reservoir with net pay zones of 126 feet and 152 feet, respectively, each with 20% porosity. The wells were completed in Q4 2008 and production began in late February 2009. The Songkhla A-07 exploration well was also drilled in Q4 2008. The well encountered oil in the Eocene reservoir with a net pay zone of 136 feet off of the Songkhla Main structure. The A-07 well commenced production in mid April 2009.

The Company has received approval of its Production Area Application (“PAA”) and Environmental Impact Assessment (“EIA”) for the Songkhla field, which will allow it to proceed developing numerous satellite structures which have been identified within the 75 square kilometre area on Songkhla without further government approval. The Songkhla field was discovered in 1989 and originally tested 1,500 barrels of production per day from the Songkhla #1 well. As of December 31, 2008, Songkhla Main has proved and probable (“2P”) reserves of approximately 19.7 million barrels (“mmbbls”).

In August 2005 three successful wells were drilled by the Company on the Bua Ban oil field (“Bua Ban”). The three well program encountered the Lower Oligocene reservoir with estimated net pay ranging from 66-77 feet and a confirmed oil column of 577-724 feet. The Company has received approval of its Production Area Application for the Bua Ban field. The Bua Ban PAA covers an area of 282 square kilometres, which includes the Bua Ban field and numerous satellite structures. As of December 31, 2008, Bua Ban had 2P oil reserves of 21.8 mmbbls.

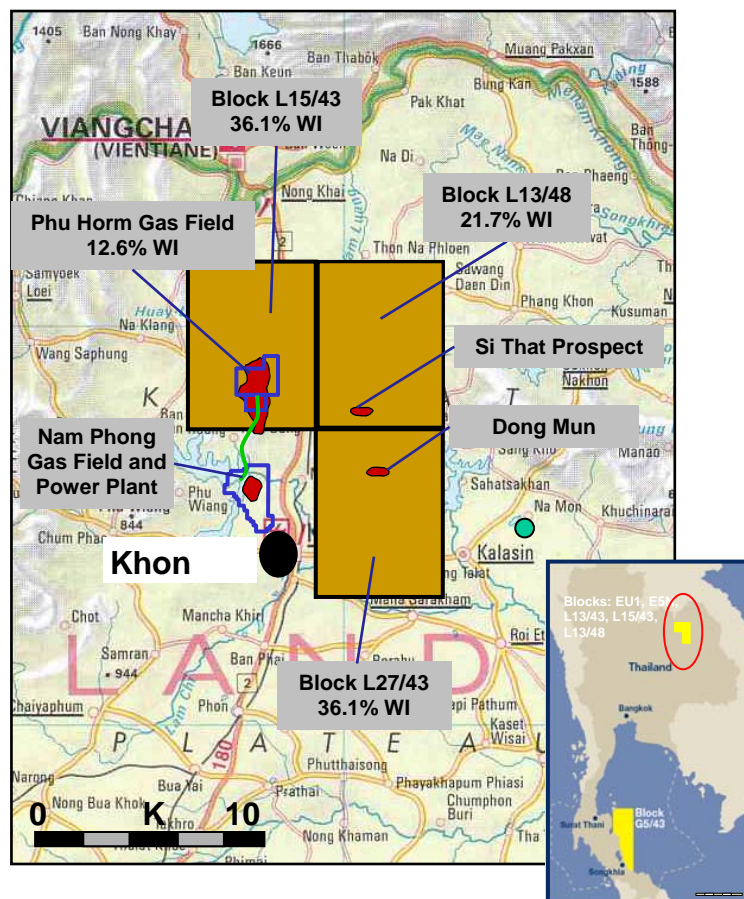
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Under the terms of the Concession, the Company relinquished approximately 8,615 square kilometers of Block G5/43 back to the Kingdom of Thailand in July 2007. Following this relinquishment the Company had approximately 8,495 square kilometers of remaining acreage on Block G5/43. 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. At December 31, 2008, total Gulf of Thailand (including the Songkhla and Bua Ban fields) 2P reserves are 41.5 mmbbls.

(b) Thailand Onshore



The Thailand onshore interests are held indirectly through the Company's 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 12.6% in Blocks EU-1 and E-5N onshore Thailand through its 36.1% equity investment in Apico, LLC, which holds a 35% working interest in the Blocks. The other partners in the Blocks include Hess Corporation (Operator - 35%), PTT Exploration & Production (20%) and Exxon Mobil Corp. (10%). Blocks EU-1 and E-5N contain the Phu Horm gas field. Production at Phu Horm 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. During the three months ended March 31, 2009, the four wells at Phu Horm had average aggregate production rates of approximately 56.7 mmcf/day, delivered to Nam Phong. The field was also producing in excess of 327 bbls of condensate per day. As of December 31, 2008, Phu Horm has 2P gas reserves of 120.6 billion cubic feet ("bcf") and 644 mmbbls of oil net to Coastal (before royalties).

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Coastal also holds a net 36.1% working interest in Block L27/43 (operated by Apico), which is located southeast of the L15/43 concession. The Dong Mun 3 ("DM3") appraisal well was spudded on November 8, 2007. The well encountered numerous gas shows in the Jurassic, Triassic and Permian sections, however, no tests were conducted due to the lack of suitable testing equipment. The Phu Kheng well has been approved for drilling in mid 2009 to test shallower Dong Mun shows in an optimum structural position. The appraisal well offers the opportunity to add reserves in close proximity to Phu Horm and Nam Phong infrastructure.

Coastal holds a net 21.7% working interest in Block L13/48 (operated by Apico), which is located 40km east of the Phu Horm gas field. The L13 concession contains holds the Si That discovery which tested gas in both the Si That 1 & 2 wells. Si That offers an opportunity to add significant resources within a known gas basin. The Si That well is planned to be drilled in late 2009.

The Company has a net 36.1% working interest in Block L15/43 (operated by Apico), which surrounds the Phu Horm gas field.

Restatement of Financial Statements

The annual and quarterly information for 2007 and the quarterly information for Q1 2008 and Q2 2008 have been restated to correct an error on recording the future income tax liability and expense associated with the outside basis difference between the carrying amount of the investment in Apico LLC and the Company's tax basis. The 2008 quarterly restatement is summarized as follows:

	Q1 2008		Q2 2008	
	As reported	As restated	As reported	As restated
<i>Balance sheet</i>				
Future income tax liability	\$28,808	\$31,336	\$27,071	\$27,071
Deficit	(16,125)	(18,653)	(15,654)	(15,654)
<i>Statement of operations</i>				
Income tax expense	-	666	2,484	-
Net income (loss)	(3,961)	(4,627)	471	2,955
Basic and diluted income (loss) per share	(0.04)	(0.05)	0.00	0.03

Summary of Quarterly Information

Three months ended March 31,	2009	2008
Revenues	\$6,583	\$272
Expenses	11,222	7,101
Share of (earnings) loss of Apico, LLC	(1,410)	(2,868)
Income taxes	-	666
Net loss	(3,229)	(4,627)
Basic and diluted loss per share	\$(0.03)	\$(0.05)
Working capital (deficit)	(51,725)	7,820
Capital expenditures	12,316	19,679
Total assets	266,935	186,318
Common shares outstanding, end of period	93,630,720	93,490,720

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The following tables are analysis of the line items in the Company's Consolidated Statements of Operations and Comprehensive Loss

Revenue and Production	3 months ended March 31,		
	2009	2008	Change
Revenue	\$8,200	-	-
Average Daily Crude Oil Production			
Medium sweet oil (bbls)	8,088	-	-
Realized price per bbl (\$/bbl)	\$36.13	-	-

During Q4 2008, the Company achieved first production from its Gulf of Thailand assets and began producing from Songkhla A-01, A-03 and A-07. The average daily crude oil production during Q1 2009 is based on 37 days of production. Average production for the quarter amounts to 8,088 bbls per day. Average production is affected by 9 days of reduced production due to well testing and a schedule delay of the transport tanker which caused capacity constraints on the Songkhla storage tanker as well as an initial ramp up period for the A-01 and A-03 wells coming on stream in late February. The Company entered into short term spot price contracts where the Company was selling its crude oil at a discounted price to Dubai crude. This discount took into account the short-term nature of the contracts, the delivery point being the Company's production platform, and payment terms. Total production for Q1 2009 was 299,261 bbls.

Royalties	3 months ended March 31,		
	2009	2008	Change
Royalties	\$541	-	-
\$ per bbl	\$2.38	-	-
Royalties as a percent of revenue	6.6%	-	-

Royalties on the Gulf of Thailand assets are paid to the Kingdom of Thailand as a percentage of production based on a sliding scale tied to monthly production.

Gain (loss) on Derivative Risk Management Contract	3 months ended March 31,		
	2009	2008	Change
Unrealized gain (loss) on mark-to-market	\$(1,526)	\$27	-
Realized gains	439	-	-
Gain (loss) on Derivative	\$(1,087)	\$27	-

As a requirement of the Company's revolving debt facilities, the Company entered into a derivative risk management contract 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 adjusts the fair value of this agreement (mark to market) every quarter with the changes in fair value recognized in net earnings. As a result of declining commodity prices, the Company realized cash-settled gains on this instrument in Q1 2009.

Interest Income	3 months ended March 31,		
	2009	2008	Change
Interest income	\$11	\$245	-96%

Interest income is the result of the Company investing excess cash in highly liquid investments and restricted cash held in interest bearing accounts. During Q1 2008, the Company had excess cash as a result of its stock issuance in January 2008, which was held in interest bearing accounts. This cash was subsequently used to fund development activity.

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Production Expenses	3 months ended March 31,		
	2009	2008	Change
Production expenses	\$2,949	-	-
Less amounts in inventory	(1,203)		
	1,746		
\$ per bbl	\$7.69	-	-

Production expenses for the first quarter include a full 3 months for the storage vessel and 2 months for the replacement mobile offshore production unit ("MOPU"), while the Company only had 37 days of production in the quarter. This led to a higher production expense per bbl of \$7.69. The facilities were in place in advance of production due to damage sustained by the original MOPU and arrangements made to resume production.

General and Administrative Expenses	3 months ended March 31,		
	2009	2008	Change
Salaries and benefits	\$1,936	\$2,317	-16%
Professional fees	334	436	-23%
Office and general	729	273	167%
Travel and entertainment	98	274	-64%
Regulatory and transfer fees	96	147	-35%
Total general and administrative expenses	\$3,193	\$3,447	-7%

In general, the 2009 decrease over 2008 is attributable to cost control activities of the Company. The largest driver of general and administrative expenses is personnel costs. Included in the salaries and benefits for 2009 and 2008 is non-cash, stock based compensation of \$0.53 million and \$0.81 million, respectively. In addition, the Company incurred \$0.48 million of salary expense related to Stock Appreciation Rights granted in Q1 2009. At March 31, 2009 and 2008, the Company had 32 and 21 full-time employees, respectively; and 22 and 15 full time contractors, respectively.

Foreign Exchange Loss	3 months ended March 31,		
	2009	2008	Change
Net effect of cash held in foreign currencies	\$48	\$68	-29%
Unrealized (gain) loss on Thai tax liability	(430)	1,932	122%
Realized loss	14	1,382	99%
Total foreign exchange (gain) loss	\$(368)	\$3,382	111%

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, the Euro and the Thai Baht. 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.

Interest Expense	3 months ended March 31,		
	2009	2008	Change
Interest Expense	\$1,019	\$229	345%

Interest expense includes interest on the Company's notes payable, amounts due to shareholder and long-term debt. Interest expense was higher in 2009 as the Company had higher balances on the notes payable (\$14.1 million at March 31, 2009 versus \$nil at March 31, 2008), amounts due to shareholder (\$7.8 million at March 31, 2009 versus \$5.0 million at March 31, 2008) and long-term debt (\$37.1 million at March 31, 2009

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versus \$nil at March 31, 2008.) The Company's average interest rate was 6.61% and 7.9% for the three months ended March 31, 2009 and 2008, respectively.

Depletion, Depreciation and Accretion Expense	3 months ended March 31,		
	2009	2008	Change
Oil and gas depreciation & depletion	\$6,228	\$-	-
Less amounts in inventory	(1,574)		
Oil and gas accretion	22	-	-
Corporate depreciation	56	43	30%
Depletion, depreciation and accretion expense	\$4,732	\$43	-
\$ per bbl	\$20.60	\$-	-

Depletion and accretion expenses were realized in 2009 due to the Company achieving first production in Q4 2008. Prior to this, the Company primarily incurred depreciation on corporate assets. Depreciation of corporate assets also increased due to the increase in corporate assets necessary to support increased headcount.

Taxes	3 months ended March 31,		
	2009	2008	Change
Current taxes	\$-	\$2,484	-
Future income taxes	-	(1,818)	-
Taxes	\$-	\$666	-

The Company's Thai subsidiary accrues income tax expense on its equity pick up of Apico's book earnings at an investment tax rate of 30%. Effective April 1, 2008, it transferred its 25.5% interest in Apico, LLC (see Notes 4 and 14 to the unaudited interim financial statements for the three months ended March 31, 2009) at its net book value to one the Company's Cayman Island subsidiaries. This transfer triggered the filing of an investment tax return, which turned the cumulative non-current tax liability of \$2.484 million into a current tax liability. In 3Q 2008, the Company made a \$1.232 million estimated tax payment toward this tax liability. The Cayman Island subsidiary is not currently subject to income taxes.

Earnings from Significantly Influenced Investee, net of taxes	3 months ended March 31,		
	2009	2008	Change
Coastal's 36.1% of Apico's net income	\$1,595	\$3,123	-49%
Amortization of Coastal's excess basis	(185)	(255)	-27%
Earnings from Significantly Influenced Investee, net of taxes	\$1,410	\$2,868	-51%
100% Field Production volumes (mmcf/d)	56.7	78.2	-28%
12.6% net to Coastal (mmcf/d)	7.1	9.9	-28%

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 experienced lower revenue in the three months ended March 31, 2009 over the prior comparable period due to lower production volumes on the gas sales and lower realized prices under contract. Lower volumes were due to turbine maintenance at the Nam Phong power plant.

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.

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Net Income (Loss)	3 months ended March 31,		
	2009	2008	Change
Net income (loss)	\$(3,229)	\$(4,627)	30%
\$ per share, basic and diluted	\$(0.03)	\$(0.05)	40%

Summary of Quarterly Results

	2009		2008		2007(b)			
	Q1	Q4	Q3	Q2(b)	Q1(b)	Q4	Q3	Q2(a)
Oil revenues, net of royalties	\$7,659	\$3,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain (loss) on derivative	(1,087)	2,415	13	(8)	27	(183)	(983)	-
Interest income	11	151	316	270	245	142	61	126
Total revenues	6,583	6,450	329	262	272	(41)	(922)	126
Production expenses	1,746	1,597	-	-	-	-	-	-
General and administrative expenses	3,193	4,114	3,053	2,210	3,447	2,557	1,494	1,557
Foreign exchange (gain) loss	(368)	820	1,440	(1,773)	3,382	301	209	282
Interest expense	1,019	843	642	432	229	649	383	55
Debt financing fees	900	-	-	-	-	60	2,072	-
(Gain) loss on sale of assets	-	(95)	(122)	-	-	-	-	40
Depletion, depreciation and accretion	4,732	1,763	42	45	43	44	42	16
Total operating expenses	11,222	9,042	5,055	914	7,101	3,611	4,200	1,950
Income taxes	-	-	-	-	666	613	411	541
Share of earnings (loss) of Apico LLC	1,410	2,179	4,250	3,607	2,868	2,424	1,544	2,148
Net income (loss) from continuing Operations	(3,229)	(413)	(476)	2,955	(4,627)	(1,841)	(3,989)	(217)
Net income (loss)	(3,229)	(413)	(476)	2,955	(4,627)	(1,841)	(3,989)	(2,229)
Basic and diluted earnings (loss) per share from continuing operations	(0.03)	\$(0.01)	\$(0.00)	\$0.03	\$(0.05)	\$(0.02)	\$(0.05)	\$(0.01)
Basic and diluted earnings (loss) per share	(0.03)	\$(0.01)	\$(0.00)	\$0.03	\$(0.05)	\$(0.02)	\$(0.05)	\$(0.03)

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 event was determined to constitute a discontinuance of the operations of Coastal's United States cost centre. Accordingly, this write-down was classified as a loss from discontinued operations.

Note (b) The quarterly information for Q1 and Q2 2008 and Q1 – Q4 2007 was restated to correct an error on recording the future income tax liability and expense and associated foreign exchange loss associated with the outside basis difference between the carrying amount of the investment in Apico LLC and the Company's tax basis.

Significant factors influencing Quarterly Results include

- The Company achieved first production with A-01, A-03 and A-07 wells in the Songkhla field of Block G5/43 in the Gulf of Thailand. Production was intermittent through the latter half of the fourth quarter as the Company was producing oil off the drilling rig while continuing drilling operations. In February 2009, the Company set a MOPU and resumed production. In addition to revenue in Q4 2008, the Company recorded related production expenses and depletion expense for the first time.
- The volatility of global crude oil prices has a direct effect on the Company's unrealized (gain) loss on its derivative instrument. The Company holds a put option on Singapore fuel oil which experienced a gain in the second half of 2008.

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- The Company has incurred higher general and administrative costs as it has been adding headcount in an effort to commence crude oil production and has incurred higher interest costs due to additional borrowings in a tight credit market.
- 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, 2009 were \$5.3 million, a decrease of \$1.1 million from \$6.4 million at December 31, 2008. The Company's primary source of funds came from proceeds of \$15.0 million from notes payable issuance, borrowings of \$1.0 million from its amounts due to shareholder, \$1.1 million decrease in restricted cash, and increase in accounts payables and accrued liabilities of \$7.1 million. Cash and cash equivalents were primarily used to increase accounts receivable \$0.4 million, increase prepaids and other current assets \$0.8 million, increase crude oil inventory of \$2.8 million; invest \$12.3 million in property, plant and equipment; pay \$6.9 million on long-term debt; pay \$1.0 million on notes payable; and pay operating expenses of \$1.2 million.

Capital Expenditures

Capital expenditures (including cash payments and amounts included in accounts payable) amounted to \$12.316 million for the three months ended March 31, 2009, compared to \$19.679 million for the three months ended March 31, 2008. The Q1 2009 expenditures were mainly the result of field development work on Songkhla. The following table sets forth a summary of the Company's capital expenditures incurred:

Capital Expenditures	Three months ended Mar 31,	
	2009	2008
Land	\$-	\$-
Seismic, geological and geophysical studies	557	477
Other	77	933
Drilling and completions	8,336	1,559
Lease and well equipment	2,268	2,095
Construction in progress (platforms, FSO, processing equipment)	1,028	14,548
Administrative assets	50	67
Total Capital Expenditures	\$12,316	\$19,679

Equity Capital

a) Share Capital

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

At March 31, 2009, the Company had 93,630,720 common shares outstanding. Effective May 28, 2009, the Company completed a public offering of 5,000,000 common shares of the Company at a price of \$2.87 (Cdn \$3.20) per common share; thus increasing the total shares outstanding at May 28, 2009 to 98,630,720 (see subsequent events.)

b) Warrants

Effective January 1, 2008, the Company had 2,343,745 warrants outstanding exercisable at \$4.00 (£2.80) per share and expiring on July 20, 2010. There have been no warrants exercised in respect to this issue. In connection with a public debt offering, on January 23, 2009, the Company issued warrants for 2,000,000 shares exercisable at \$0.90 (Cdn \$1.136) per share and expiring on January 23, 2014.

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008

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

c) Stock Options

During the three months ended March 31, 2009, the Company granted 3.5 million stock options with a weighted average exercise price of \$1.35; and 3,000 options were forfeited. 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	\$0.57 (£0.40)	Dec. 31, 2009	187,500
Jul. 06, 2005	112,500	1.25 years	\$2.00 (£1.40)	Jul. 06, 2010	112,500
Dec. 27, 2006	2,575,000	2.75 years	\$1.75 (Cdn\$2.20)	Dec. 27, 2011	2,025,000
Jun. 15, 2007	206,250	3.25 years	\$2.35 (Cdn\$2.96)	Jun. 16, 2012	187,500
Jan. 25, 2008	1,114,750	3.75 years	\$3.13 (Cdn\$3.94)	Jan. 26, 2013	762,250
May 05, 2008	200,000	3.75 years	\$3.52 (Cdn\$4.44)	May 06, 2013	50,000
Jul. 14, 2008	85,000	4.25 years	\$2.86 (Cdn\$3.61)	Jul. 15, 2013	21,250
Sep. 16, 2008	100,000	4.50 years	\$1.80 (Cdn\$2.27)	Sep. 16, 2013	25,000
Sep. 23, 2008	1,000,000	4.50 years	\$3.13 (Cdn\$3.94)	Feb. 05, 2013	500,000
Jan. 02, 2009	3,506,000	4.75 years	\$1.07 (Cdn\$1.35)	Jan. 02, 2014	184,500
	9,087,000				4,055,500

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transaction

In June 2008, the Company renegotiated its note payable to its shareholder to extend the maturity to December 31, 2008. As part of this renegotiation, in July 2008 the Company paid the shareholder \$410,964 which represented the accrued interest on the note payable through June 30, 2008. As of September 30, 2008, the accrued interest on this note payable was \$54,724 and the principal due was \$4.64 million. Effective November 20, 2008 the note payable balance was renegotiated to mature on March 31, 2009 at an interest rate of 7% per annum. Effective March 31, 2009 the note payable balance was renegotiated to mature on June 30, 2009 at an interest rate of 12% per annum.

In December 2008 and January 2009, the Company entered into unsecured loan agreements totaling \$3 million bearing interest at 15% per annum and maturing on June 30, 2009. This debt was funded by related parties of the Company's primary shareholder, O. S. Wyatt, Jr. The debt was issued separately from the Senior Unsecured Note Offering announced on December 22, 2008 due to securities exchange regulations which prohibit insiders from participating in debt offerings which include a warrant issue as consideration.

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, 2008 and also as described in Note 15 to the unaudited interim financial statements for the three months ended March 31, 2009.

Subsequent Events

On May 20, 2009 the Company announced that it was experiencing increased water production from its wells at Songkhla. The level of water production is consistent with Huddleston & Co.'s production profile for Songkhla at this point in the life of the field. The current water production is indicative of a strong water drive reservoir which will support higher recovery rates with further development. The Company plans to begin further development of the Songkhla field and satellite structures in late third quarter 2009.

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008

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

On May 28, 2009, the Company completed a public offering of 5,000,000 common shares of the Company at a price of \$2.87 (Cdn \$3.20) per common share, raising gross proceeds of \$14.4 million (Cdn \$16.0 million.) Proceeds of the offering, net of issuance costs of approximately \$0.8 million, were \$13.6 million. As part of this offering, the Company granted the underwriters an over-allotment option to purchase, on the same terms, up to an additional 750,000 common shares. This option is exercisable, in whole or in part, by the underwriters, in their sole discretion, at any time before June 26, 2009.

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, 2008 and also in Note 2 to the annual audited financial statements for the year ended December 31, 2008.

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 three months ended March 31, 2009.

International Financial Reporting Standards Update

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company.

The AcSB requires IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with December 31 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ending December 31, 2010. This also means that all opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During the remainder of 2009, the Company will continue to evaluate the impact of IFRS on the Company and develop and put in place a plan for the conversion to IFRS. If the Company decides not to early adopt the standards, the actual conversion work will occur during 2009 and 2010, in anticipation of the preparation of the January 1, 2010 balance sheet which will be required for comparative purposes for all periods ending in 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 April 23, 2009 (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.

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008

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

a) Going Concern

The accompanying unaudited consolidated financial statements have been prepared by management in accordance with Canadian GAAP on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and accordingly will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has limited operating and production history in the Gulf of Thailand. The Company's ability to continue as a going concern is dependent upon continued production or its ability to obtain additional financing. 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 debt or share capital or generating 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 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.

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

d) 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 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.

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008

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

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 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.

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 13 to the unaudited interim financial statements for the three months ended March 31, 2009.

Management's Report on Internal Control over Financial Reporting

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008

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

In contrast to the certificate under National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Outlook

The Company plans to pursue further development of its offshore properties in the Gulf of Thailand beginning late in the third quarter of 2009. Coastal believes that its offshore properties have significant development and exploration potential and it plans to keep its near-term focus on developing and exploiting its current portfolio.

Coastal expects to drill two onshore wells, Phu Kheng and Si That, in the second half of 2009. Both wells have the potential to add significant resources on blocks adjacent to the Sinphuhorm gas field.

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008 (Unaudited)

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

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	2009	2008
	\$	\$
		(As restated Note 2)
Revenues		
Crude oil	8,200	-
Royalties	(541)	-
(Loss) gain on derivative risk management contract (Note 8)	(1,087)	27
Interest income	11	245
	6,583	272
Expenses		
Production	1,746	-
General and administrative	3,193	3,447
Foreign exchange (gain) loss	(368)	3,382
Interest (Note 11)	1,019	229
Debt financing fees (Note 11)	900	-
Depletion, depreciation and accretion	4,732	43
	11,222	7,101
Loss before taxes and earnings from significantly influenced investee	(4,639)	(6,829)
Income taxes (Note 14)	-	666
Loss before earnings from significantly influenced investee	(4,639)	(7,495)
Earnings from significantly influenced investee (Note 4)	1,410	2,868
Net loss and comprehensive loss	(3,229)	(4,627)
Deficit, beginning of period	(16,587)	(14,026)
Deficit, end of period	(19,816)	(18,653)
Basic and diluted loss per share	(0.03)	(0.05)
Weighted average number of common shares outstanding	93,630,720	92,195,694

COASTAL ENERGY COMPANY

As at March 31, 2009 and December 31, 2008 (Unaudited)
(All amounts are expressed in US\$000's unless otherwise stated)

CONSOLIDATED BALANCE SHEETS

	March 31, 2009	December 31, 2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	5,266	6,434
Restricted cash (Note 3)	3,040	4,146
Accounts receivable	2,816	2,391
Derivative risk management contract (Note 8)	490	2,016
Crude oil inventory	3,085	308
Prepays and other current assets (Note 7)	1,046	271
	15,743	15,566
Investment in and advances to Apico LLC (Note 4)	51,063	50,376
Property, plant and equipment, net (Note 5)	199,829	192,224
Deposits and other assets	300	297
Total assets	266,935	258,463
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	38,459	35,536
Income taxes payable (Note 14)	1,252	1,252
Amounts due to shareholder (Note 6)	7,831	6,761
Notes payable (Note 7)	14,096	-
Current portion of long-term debt (Note 8)	5,830	15,249
	67,468	58,798
Long-term debt (Note 8)	31,229	28,751
Asset retirement obligations (Note 9)	1,376	1,354
Future income tax liability (Note 14)	25,554	25,984
	125,627	114,887
Commitments and contingencies (Note 15)		
Shareholders' equity		
Share capital (Note 10)	146,938	146,938
Contributed surplus (Note 10)	13,892	13,225
Warrants (Note 10)	294	-
Deficit	(19,816)	(16,587)
	141,308	143,576
Total liabilities and shareholders' equity	266,935	258,463

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008 (Unaudited)

(All amounts are expressed in US\$000's unless otherwise stated)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31,	
	2009	2008
	\$	\$
		(As restated Note 2)
Operating activities		
Net loss for the period	(3,229)	(4,627)
Distributions from significantly influenced investee	723	-
Items not involving cash		
Depletion, depreciation and accretion	4,732	43
Future income taxes	-	666
Unrealized foreign exchange (gain) loss	(382)	2,000
Stock based compensation	576	1,199
Issuance of warrants with notes payable	294	-
Share of earnings of significantly influenced investee, net of taxes	(1,410)	(2,868)
Unrealized (gain) loss on derivative risk management contract	1,526	(27)
Change in non-cash working capital (Note 16)	3,201	209
	6,031	(3,405)
Investing activities		
Decrease in restricted cash	1,106	521
Purchase of property, plant and equipment	(16,313)	(19,295)
Other	(3)	6
	(15,210)	(18,768)
Financing activities		
Issuance of shares for cash	-	54,558
Repayments of long-term debt	(6,941)	(25,000)
Borrowings under amounts due to shareholder	1,000	-
Proceeds from issuance of notes payable	15,000	-
Repayments of notes payable	(1,000)	-
	8,059	29,558
Net effect of foreign exchange on cash held in foreign currencies	(48)	(68)
Change in cash and cash equivalents	(1,168)	7,317
Cash and cash equivalents, beginning of period	6,434	13,149
Cash and cash equivalents, end of period	5,266	20,466
Cash and cash equivalents consists of:		
Cash	5,266	11,351
Short-term money market instruments	-	9,115
	5,266	20,466

Supplemental cash flow information (Note 16)

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008 (Unaudited)

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

Note 1. Nature and continuance of operations

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, 2008, 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, 2008. 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 considered necessary for fair presentation have been included. Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

These interim consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred losses since inception, has a working capital deficiency of \$51.7 million and has an accumulated deficit of \$19.8 million. In addition, as at March 31, 2009, the Company held cash and cash equivalents of \$5.3 million, had current debt obligations of \$27.8 million consisting of (1) amounts due to shareholder, (2) notes payable and (3) the current portion of long-term debt. Additionally, as at March 31, 2009, the Company has committed to make expenditures (consisting of capital expenditures and rental and lease payments) of \$16.6 million of which \$11.3 million relates to 2009 committed expenditures. Based on the current cash balance, expected cash flows from the Gulf of Thailand operations, cash distributions expected from the Company's investment in Apico LLC and proceeds from debt and/or equity financings, the Company expects to have sufficient funds to meet its 2009 commitments and continue as a going concern.

Although management is of the opinion that additional financing will be available to continue its planned activities in the normal course there is no certainty that the levels of additional financing required will be obtained (Note 18).

These financial statements do not give effect to adjustments that may be necessary should the Company be unable to continue as a going concern, and these adjustments could be material.

Changes in accounting policies

Goodwill and Other Intangibles (CICA Handbook Section 3064)

On January 1, 2009 the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets". The new section replaces the previous goodwill and intangible asset standard and revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard had no impact on the Company's consolidated financial statements.

Credit Risk and Fair Value of Financial Assets and Liabilities (CICA EIC-173)

On January 1, 2009, the Company adopted the CICA's EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this EIC had no significant impact on the Company's consolidated financial statements.

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008 (Unaudited)

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

Note 1. Nature and continuance of operations (continued)

Recent and Pending Accounting Pronouncements

In January 2009, the CICA issued Section 1582, "Business Combinations", which will replace the former guidance on business combinations. Under the new standard, the purchase price used in a business combination is based on the fair value of consideration exchanged at the date of exchange. Currently the purchase price used is based on the fair value of the consideration for a reasonable period before and after the date of acquisition is agreed upon and announced. The new standard generally requires all acquisition costs be expensed, which are currently capitalized as part of the purchase price. In addition, the new standard modified the accounting for contingent consideration and negative goodwill. Section 1582 is effective for the Company on January 1, 2011 with prospective application and early adoption permitted. Once adopted, this standard will impact the accounting treatment of future business combinations.

In January 2009, the CICA issued Sections 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary subsequent to a business combination. These sections are effective for the Company on January 1, 2011 with prospective application and early adoption permitted. The adoption of these standards is not expected to have a material impact on the Company's consolidated financial statements.

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP effective January 1, 2011, including comparatives for 2010, for Canadian publicly accountable enterprises. The Company has established a preliminary timeline for the execution and completion of its IFRS conversion project. The Company is beginning its high-level IFRS impact study. The impact of IFRS on the Company's consolidated financial statements is not reasonably determinable at this time. Key information will be disclosed as it becomes available during the transition period.

Note 2. Restatement of previously issued financial statements

The three months ended March 31, 2008 have been restated to correct an error on recording the future income tax liability and expense associated with the outside basis difference between the carrying amount of the investment in Apico LLC and the Company's tax basis. The restatement is summarized as follows:

	Three months ended March 31, 2008	
	As reported	As restated
<i>Balance sheet</i>		
Future income tax liability	\$28,808	\$31,336
Deficit	(16,125)	(18,653)
<i>Statement of operations</i>		
Income tax expense	-	666
Net loss	(3,961)	(4,627)
Basic and diluted loss per share	(0.04)	(0.05)

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 as of March 31, 2009 and December 31, 2008.

	March 31, 2009	December 31, 2008
Collateral in support of Corporate Letter of Credit (Note 15)	\$661	\$726
Restricted in support of Corporate Long-term Debt (Note 8)	2,379	3,420
	\$3,040	\$4,146

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008 (Unaudited)

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

Note 4. Investment in and advances to Apico LLC

The Company holds approximately 36.1% of 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. 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 unit of production method. At March 31, 2009 and December 31, 2008, the remaining unamortized excess basis was \$15.9 million and \$16.1 million, respectively.

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

	March 31, 2009	December 31, 2008
Balance, beginning of period	\$50,376	\$53,188
Advances during the period	-	903
Share of earnings of significantly influenced investee, net of taxes	1,595	13,963
Amortization of excess basis in Apico	(185)	(1,059)
Earnings distributions	(723)	(16,619)
Balance, end of period	51,063	\$50,376

Note 5. Property plant and equipment, net

	March 31, 2009			December 31, 2008		
	Cost	AD&D*	Net	Cost	AD&D*	Net
Oil and gas properties - Gulf of Thailand	\$163,792	\$(6,309)	\$157,483	\$152,098	\$(1,655)	\$150,443
Oil and gas production equipment	31,055	-	31,055	30,558	-	30,558
Construction in progress	10,539	-	10,539	10,462	-	10,462
Corporate assets	1,147	(395)	752	1,100	(339)	761
	\$206,533	\$(6,704)	\$199,829	\$194,218	\$(1,994)	\$192,224

* Accumulated depletion and depreciation

During the three months ended March 31, 2009 and 2008 the Company capitalized \$827,000 and \$900,000, respectively of general and administrative expenditures into oil and gas properties. At March 31, 2009, oil and gas properties included \$46 million of unproved properties that have been excluded from the depletion calculation. Future development costs of \$137 million at March 31, 2009 are included in the depletion calculation.

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 Block G5/50 in the Gulf of Thailand. Management has performed an impairment assessment and there is no impairment of oil and gas properties and equipment as at March 31, 2009.

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 commence depreciation using the straight line method over their respective useful lives.

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008 (Unaudited)

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

Note 5. Property plant and equipment, net (continued)

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, the Company will commence depreciation using the straight line method over its useful life.

Note 6. Amounts due to shareholder

	March 31, 2009	December 31, 2008
Renewal of original note to the shareholder	\$4,720	\$4,760
Additional note from the shareholder	2,076	2,001
Additional note from a related party to the shareholder	1,035	-
	\$7,831	\$6,761

Effective September 25, 2006, the Company assumed a note payable to the shareholder of NuCoastal Thailand Limited ("NuCoastal") for \$4.6 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. In July 2008, the note was renegotiated to mature on December 31, 2008 and the accrued interest through September 30, 2007 of \$411,000 was paid to the shareholder in July 2008. Effective November 20, 2008 the note payable balance was renegotiated to mature on March 31, 2009 at an interest rate of 7% per annum. Effective March 31, 2009, the note and its accrued interest were renegotiated to accrue interest at 12% per annum and mature on June 30, 2009. At March 31, 2009, the accrued interest on the renewed note was \$81,000.

On December 30, 2008, the shareholder loaned the Company \$2.0 million which is set to mature on June 30, 2009 and accrues interest at 15% per annum. At March 31, 2009, the accrued interest on this note was \$75,000.

On January 6, 2009, the Company entered into an unsecured loan agreement with an individual related to the Company's primary shareholder in the amount of \$1 million bearing interest at 15% per annum and maturing on June 30, 2009. At March 31, 2009, the accrued interest on this note was \$35,000.

Note 7. Notes payable

	March 31, 2009	December 31, 2008
Senior secured note	\$4,096	\$ -
Senior unsecured notes	10,000	-
	\$14,096	\$ -

On January 20, 2009, the Company closed a \$5 million senior secured note with an unrelated private partnership bearing interest at 16% per annum and maturing on July 19, 2009. The Company is required to make monthly payments of \$500,000 plus accrued interest up to the payment date, starting on February 28, 2009 through June 30, 2009 and a final principal payment of \$2.5 million plus accrued interest on July 19, 2009. This note is secured by the Company's oil and gas production equipment, which is currently located in Galveston, Texas.

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Note 7. Notes payable (continued)

On January 23, 2009, the Company completed its offering of senior unsecured notes raising \$10 million. These notes bear interest at 15% per annum and will mature on January 23, 2010 with the following payment terms: 25% of the principal and all accrued interest through the payment date are to be paid on April 23, 2009, July 23, 2009, October 23, 2009 and January 23, 2010. At closing, interest applicable to the first two quarterly payments was escrowed with the underwriter; \$376,000 of this interest is included in prepaids at March 31, 2009. Under the terms of the Note Indenture, the Company is required to maintain a debt service coverage ratio. In addition, the Company is not allowed to encumber Block G5/43 and net indebtedness is capped at \$100 million.

Each \$100,000 note was issued with a warrant entitling the holder thereof to acquire 20,000 common shares of the Company at an exercise price of Cdn\$1.136. The warrants expire on January 23, 2014 (Note 10.)

Note 8. Long-term debt

	March 31, 2009	December 31, 2008
Revolving debt facility	\$37,059	\$44,000
Less: current portion	(5,830)	(15,249)
Long-term debt	\$31,229	\$28,751

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, with a maturity date of December 31, 2013. The Facility, arranged by Sumitomo Mitsui Banking Corporation Europe Limited ("SMBC"), consists of a \$42.5 million senior loan and a \$7.5 million junior loan. The borrowing base of the facility and its availability are subject to recalculation every quarter. As of March 31, 2009, the amount available under the borrowing base was \$37.0 million, under which the Company had drawn a total of \$37.0 million comprised of \$31.3 million loans under the senior loan and \$5.7 million loan, drawn under the junior loan.

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 loan terms and the aggregate amount of loans outstanding. The effective interest rate on the Facility for the three months ended March 31, 2009 and 2008 were 3.32% and 7.90%, respectively. As part of the Facility, the Company is required to deposit funds into a bank account, which is restricted as to its availability (Note 3).

As a requirement of the Facility, the Company entered into a derivative risk management contract 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 commencing July 1, 2007 and expiring June 30, 2009. The Company paid \$1.2 million for this contract. Risk management contracts 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, 2009, the fair value of the risk management contract was \$490,000. During the three months ended March 31, 2009, the Company recorded \$1.5 million (2008 - \$27,385 gains) of unrealized losses and \$439,000 (2008 - \$nil) of realized gains on this risk management contract.

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Note 9. Asset retirement obligations

The Company's asset retirement obligations result from net ownership interest in oil and gas properties, including well sites, production and processing facilities. The Company's estimates used to calculate the fair value of the asset retirement obligation have not changed since December 31, 2008. The following table provides a reconciliation of the asset retirement obligations:

	March 31, 2009	December 31, 2008
Balance, beginning of period	\$1,354	\$ -
Additions to future costs	-	1,340
Accretion expense	22	14
Balance, end of period	\$1,376	\$1,354

Note 10. Share capital

Common Stock

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

Issued and fully paid common shares

	Number of Shares	Par Value	Additional Paid In Capital	Total
Balance, December 31, 2007	76,983,220	\$3,079	\$88,682	\$91,761
Shares issued pursuant to offering, net of issue costs	16,445,000	658	53,791	54,449
Shares issued pursuant to exercise of stock options	202,500	8	720	728
Balance, December 31, 2008 and March 31, 2009	93,630,720	\$3,745	\$143,193	\$146,938

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.

Contributed Surplus

Changes in Contributed Surplus

Balance, December 31, 2008	\$13,225
Stock-based compensation	667
Balance, March 31, 2009	\$13,892

Accumulated Other Comprehensive Income

There have been no changes to accumulated other comprehensive income as at and for the three months ended March 31, 2009 and 2008. The Company's accumulated other comprehensive income at March 31, 2009 is \$nil.

Warrants

In January 2009, the Company issued 2,000,000 warrants in connection with a debt offering (Note 7.) As of March 31, 2009, the Company had 4,343,745 warrants outstanding and fully exercisable. The fair value of new warrants of \$294,000 has been recorded in the share capital accounts as a separate item. The changes in warrants were as follows:

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Note 10. Share capital (continued)

	Number of warrants	Weighted average exercise price
Balance outstanding, December 31, 2007 and 2008	2,343,745	\$4.00 (£2.80)
Warrants granted	2,000,000	\$0.90 (Cdn1.136)
Balance outstanding, March 31, 2009	4,343,745	\$2.58

The following table summarizes the outstanding and exercisable warrants at March 31, 2009:

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jul. 20, 2005	2,343,745	1.25 years	\$4.00 (£2.80)	Jul. 20, 2010	2,343,745
Jan. 23, 2009	2,000,000	4.75 years	\$0.90 (Cdn1.136)	Jan. 23, 2014	2,000,000
	4,343,745				4,343,745

Stock options

The Company has a stock option plan (the "Plan") in compliance with the TSX-V's policy for granting stock options. Under the Plan, the number of shares reserved for issuance may not exceed 15,000,000 shares.

At March 31, 2009 there remained for issuance 5,913,000 stock options. 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 with one-quarter vesting on the date of the grant and one-quarter vesting on each subsequent anniversary of the date of the 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:

	Number of options	Weighted average exercise price
Balance outstanding, December 31, 2007	3,700,000	\$2.25
Options granted	2,760,000	\$3.19
Options exercised	(202,500)	\$1.69
Options forfeited	(676,500)	\$2.52
Balance outstanding, December 31, 2008	5,581,000	\$2.41
Options granted	3,509,000	\$1.07
Options exercised	-	-
Options forfeited	(3,000)	\$1.07
Balance outstanding, March 31, 2009	9,087,000	\$1.85

The following table summarizes the outstanding and exercisable options at March 31, 2009:

Grant Date	Number Outstanding	Remaining Contractual Life	Exercise Price	Expiry Date	Number Exercisable
Jan. 25, 2005	187,500	0.75 years	\$0.57 (£0.40)	Dec. 31, 2009	187,500
Jul. 06, 2005	112,500	1.25 years	\$2.00 (£1.40)	Jul. 06, 2010	112,500
Dec. 27, 2006	2,575,000	2.75 years	\$1.75 (Cdn\$2.20)	Dec. 27, 2011	2,025,000
Jun. 15, 2007	206,250	3.25 years	\$2.35 (Cdn\$2.96)	Jun. 16, 2012	187,500
Jan. 25, 2008	1,114,750	3.75 years	\$3.13 (Cdn\$3.94)	Jan. 26, 2013	762,250
May 05, 2008	200,000	3.75 years	\$3.52 (Cdn\$4.44)	May 06, 2013	50,000
Jul. 14, 2008	85,000	4.25 years	\$2.86 (Cdn\$3.61)	Jul. 15, 2013	21,250
Sep. 16, 2008	100,000	4.50 years	\$1.80 (Cdn\$2.27)	Sep. 16, 2013	25,000
Sep. 23, 2008	1,000,000	4.50 years	\$3.13 (Cdn\$3.94)	Feb. 05, 2013	500,000
Jan. 02, 2009	3,506,000	4.75 years	\$1.07 (Cdn\$1.35)	Jan. 02, 2014	184,500
	9,087,000				4,055,500

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Note 10. Share capital (continued)

Stock options totaling 3,509,000 were granted to directors, officers, employees and consultants on January 2, 2009, with an exercise price of Cdn \$1.35. Of these options, 750,000 were granted as incentives for new hires, 25% of which vest immediately upon the grant date and 25% vesting on each of the three subsequent anniversaries of the grant date. The remaining 2,759,000 options were granted as part of the annual award which vests 33.3% on each of the three subsequent anniversaries of the grant date.

Stock-based compensation and warrants

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

	2009	2008
Risk-free interest rate	3.00%	3.00%
Expected life	2 ½ - 3 years	3 years
Annualized volatility	30% - 60%	57%
Dividend rate	0%	0%
Weighted average grant date fair value per option	\$0.54	\$1.18
Weighted average grant date fair value per warrant	\$0.19	\$-

For the three months ended March 31, 2009, the Company recorded stock-based compensation of \$667,000 (2008 - \$806,000) and fair value of warrants of \$294,000 (2008 - \$Nil), which was recorded as debt financing fees expense.

In January and February 2009, the Company awarded stock appreciation rights for the equivalent of approximately 2,075,000 shares, of which approximately 280,000 shares are contingent upon the achievement of certain performance goals established by the Company. These awards vest and are cash-settled 33.3% on each of the subsequent anniversaries of the grant date. The full fair value of these stock appreciation rights is \$3.87 million. During the three months ended March 31, 2009 the Company accrued a liability of \$591,000, of which \$480,000 is included in general and administrative expenses.

Loss per share

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

Three months ended March 31,	2009	2008
Weighted average common share adjustments		
Weighted average common shares outstanding, basic	93,630,720	92,195,694
Effect of stock options and warrants	-	-
Weighted average common shares outstanding, diluted	93,630,720	92,195,694

Because the Company has incurred net losses, the effect of the stock options and warrants is considered anti-dilutive. Therefore the computation of diluted loss per share does not take into account the effect of these stock options and warrants.

Note 11. Interest expense

The Company expenses finance costs as incurred. The Company's weighted average interest rate was 6.6% and 7.9% for the three months ended March 31, 2009 and 2008, respectively.

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Note 12. Capital management

The Company's capital consists of working capital, amounts due to shareholder, notes payable, long-term debt, and common stock. As the Company achieved first production in the fourth quarter of 2008, 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 6 and notes payable is 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 10.

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

Note 13. Financial instruments and risk management

Fair values

The Company'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 approximates their fair value due to their short-term nature. The Company's risk management contract is considered held-for-trading and its fair value is marked to market every quarter based on quoted market prices in the futures market on the balance sheet date. Amounts due to shareholder, notes payable, and long-term debt are considered other financial liabilities and are recorded at amortized cost.

The carrying value of the amounts due to shareholder and notes payable approximates the fair value. This is due to the short-term nature of the liabilities. The fair value of the Company's long-term debt as at March 31, 2009 and December 31, 2008 was \$36.7 million and \$42.71 million, respectively.

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

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) risk management contract. The Company has not had any credit losses. At March 31, 2009, 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 government of Thailand. The Company's maximum exposure to credit risk at the balance sheet date is as follows:

	March 31, 2009	December 31, 2008
Cash	\$5,266	\$6,434
Restricted cash	3,040	4,146
Accounts receivable from government entities (UK, Thailand)	1,954	1,389
Trade receivable	445	576
Derivative risk management contract	490	2,016
Other accounts receivable	417	426
	\$11,612	\$14,987

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Note 13. Financial instruments and risk management (continued)

The Company's trade receivable at March 31, 2009 is from one customer and is outstanding for less than 30 days. All revenues for the period ended March 31, 2009 was from sales to one customer. Typically, the Company's maximum credit exposure to customers is revenue from two month's commodity sales. The Company's standard credit terms have been (receipt of) payment within 30 days of delivery. The Company's policy to mitigate credit risk associated with commodity sales is to establish relationships with credit worthy customers. The Company has not experienced any collection issues on its trade receivables.

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, income taxes payable, amounts due to shareholder, notes payable, 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 liquidity position has deteriorated during the period due to the ongoing development expenditure incurred at the Company's Gulf of Thailand properties. The current global financial crisis has caused severe illiquidity in capital markets, economic uncertainty and significant volatility in commodity prices. The Company's ability to raise additional capital could be restricted given the current market environment (Note 1).

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, 2009, 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 and capital expenditures:

	March 31, 2009				
	1 Year	2 Years	3 Years	Thereafter	Total
Accounts payable and accrued liabilities	\$38,459	\$-	\$-	\$-	\$38,459
Income taxes payable	1,252	-	-	-	1,252
Amounts due to shareholder	7,831	-	-	-	7,831
Notes payable	14,096	-	-	-	14,096
Long-term debt payment	5,830	6,046	9,511	15,672	37,059
Future commitments (Note 15)					
Capital expenditures	6,954	2,840	2,450	-	12,244
Rental and lease payments	4,334	69	-	-	4,403
	\$78,756	\$8,955	\$11,961	\$15,672	\$115,344

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 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 risk management contract.

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Note 13. Financial instruments and risk management (continued)

(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 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. As part of the Company's 2006 acquisition of NuCoastal, which in accordance with Canadian GAAP was accounted for as a reverse takeover ("RTO"), the Company recorded for book purposes a \$24.3 million future tax liability on an oil and gas concession which was valued in the underlying Thai baht currency. This future income tax liability is considered a monetary item; and as such is revalued each period end at the current exchange rate, with the gain or loss recorded in net earnings (loss) for the period.

The Company is exposed to currency risk through the following US dollar equivalent of financial assets and liabilities denominated in currencies other than US dollars:

	Cash and cash equivalents	Accounts receivable	Accounts payable and accrued liabilities	Income taxes payable	Future income tax liabilities
March 31, 2009					
Thai Baht	\$345	\$1,978	\$(13,906)	\$(1,252)	\$(25,554)
UK Pounds	18	13	(569)	-	-
Canadian Dollars	14	-	(100)	-	-
Singapore Dollars	-	-	(2,402)	-	-
Euros	6	-	(68)	-	-
	\$383	\$1,991	\$(17,045)	\$(1,252)	\$(25,554)
December 31, 2008					
Thai Baht	\$158	\$1,362	\$(13,805)	\$(1,252)	\$(25,984)
UK Pounds	139	27	(282)	-	-
Canadian Dollars	4	-	(123)	-	-
Singapore Dollars	-	-	(2,520)	-	-
Euros	7	-	(70)	-	-
	\$308	\$1,389	\$(16,800)	\$(1,252)	\$(25,984)

Based on the above net exposures at March 31, 2009, a 10% depreciation or appreciation of the above currencies against the US dollar would result in a \$3.77 million increase or decrease in the Company's after-tax earnings.

(b) Interest rate risk

The Company is exposed to interest rate and cash flow risks on its outstanding borrowings and short-term investments. Presently the Company's long-term debt is at floating interest rates. 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 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. The Company had borrowings totaling \$58.9 million at March 31, 2009 (Notes 6, 7 and 8.) A 100 basis point change in interest rates would result in a \$443,000 change in the Company's annual earnings. The Company has earned an average of 0.47% and 3.87% on its short-term investments for the three months ended March 31, 2009 and 2008, respectively.

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Note 13. Financial instruments and risk management (continued)

(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.

The Company's long-term debt (Note 8) incorporates the reference price in its model to determine the effective borrowing base under which the Company may borrow. This model does not reflect 100% of the reference price. Thus a 10% decline in the reference price projection would reduce the availability under the borrowing base by approximately 8.6% or \$3.2 million.

As a requirement of the debt facilities, the Company entered into a derivative risk management contract described in Note 8. Coastal's derivative contract was in place and the Company realized cash settled proceeds of \$0.439 million and \$nil during the periods ended March 31, 2009 and 2008, respectively.

Note 14. Income taxes

The Company has taxable operations in Thailand, Mauritius, the United Kingdom and United States. There is presently no taxation imposed by the Government of the Cayman Islands on income or capital gains. If any form of taxation were to be enacted, the Company has been granted an exemption until May 26, 2024. The Company is subject to foreign withholding taxes on dividend and interest income. The Company's provision for income taxes consists of the following:

Periods ended March 31,	2009	2008
Current income taxes	\$-	\$2,484
Future income taxes (recovery) expense	-	(1,818)
	-	\$666

Under Thailand's Petroleum Income Tax Act ("PITA"), the Company is not required to file an income tax return until after its first production. All costs incurred in Thailand prior to first production are capitalized for income tax purposes and amortized over ten years beginning with first production. The Company has approximately \$32.5 million of Thailand PITA tax losses to offset future taxable income that expire in 2018; approximately \$3.4 million of United States tax losses to offset future taxable income that expire in 2025 through 2027; and approximately \$0.7 million of Mauritius tax losses to offset future taxable income that expire in 2012 through 2013.

The future income tax liability is valued in the underlying currency of the related assets. The change in this account is directly attributable to the currency valuation on this liability and the effect of this change is included in the statement of operations as foreign exchange loss.

Note 15. Commitments and contingencies

The Company has provided a Letter of Credit to the Thailand Customs Department for \$0.6 million. This Letter of Credit is cash collateralized (Note 3), has not been drawn on and remains outstanding as of March 31, 2009.

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

Note 15. Commitments and contingencies (continued)

The Company has entered into various commitments primarily related to the ongoing development of its Thailand G5/43 property (Note 5). Coastal has secured equipment and work commitments in the Gulf of Thailand. In December 2007, the Company was awarded the G5/50 Concession in the Gulf of Thailand, within the boundaries of the Company's G5/43 Concession. In order to keep this Concession, the Company has various development obligations. The Company also has operating lease agreements for office space in the United Kingdom, Thailand and the United States. The following table summarizes the Company's outstanding contractual obligations:

Year	G5/43	G5/50	Other	Total
2009	\$10,304	\$850	\$134	\$11,288
2010	-	2,840	69	2,909
2011	-	2,450	-	2,450

The Company is from time to time involved in various claims, legal proceedings, complaints and disputes with governmental authorities 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 16. Supplemental cash flow information

The following table summarizes the changes in non-cash working capital for the three months ended March 31, 2009 and 2008:

Three months ended March 31,	2009	2008
Change in:		
Accounts receivable	\$(425)	\$(168)
Crude oil inventory	(2,777)	-
Prepays and other current assets	(775)	122
Accounts payable and accrued liabilities	7,178	255
	\$3,201	\$209
Changes relating to:		
Attributable to operating activities	\$3,201	\$209

During the three months ended March 31, 2009 and 2008, the Company made cash payments for income taxes and interest on long-term debt as follows:

Periods ended March 31,	2009	2008
Interest on debt	\$523	\$174
Income taxes	-	-

Note 17. Segmented information

Operating segment

The Company's primary current operations are the acquisition, exploration and development of oil and gas properties in the Gulf of Thailand. The Company also has an indirect operating segment involved in the acquisition, exploration and development of onshore petroleum properties in Thailand. This segment is owned through the Company's 36.1% interest in Apico which is accounted for using the equity method (Note 4). The Company's corporate office is located in the United States of America.

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Three Month Periods ended March 31, 2009 and 2008 (Unaudited)

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Note 17. Segmented information (continued)

Geographic segments

The Company's revenues and expenses for the three months ended March 31, 2009 and 2008 and oil and gas assets as at March 31, 2009 and December 31, 2008 were as follows:

Three months ended March 31, 2009	Onshore Thailand	Gulf of Thailand	Corporate	Total
Revenues				
Oil and gas revenues, net	\$-	\$7,659	\$-	\$7,659
Gain (loss) on derivative	-	-	(1,087)	(1,087)
Interest income	-	-	11	11
	-	7,659	(1,076)	6,583
Expenses				
Production expenses	-	1,746	-	1,746
General and administrative	-	-	3,193	3,193
Foreign exchange (gain) loss	-	-	(368)	(368)
Interest expense	-	-	1,019	1,019
Debt financing fees	-	-	900	900
Depletion, depreciation & accretion	-	4,676	56	4,732
Income taxes	-	-	-	-
Share of Apico earnings	(1,410)	-	-	(1,410)
Net income (loss)	\$1,410	\$1,237	\$(5,876)	\$(3,229)
Capital expenditures	\$-	\$12,266	\$50	\$12,316
As at March 31, 2009				
Investment in Apico	\$51,063	\$-	\$-	\$51,063
Property, plant and equipment, net	\$-	\$199,077	\$752	\$199,829
Total Assets	\$51,063	\$212,009	\$3,863	\$266,935

COASTAL ENERGY COMPANY

Three Month Periods ended March 31, 2009 and 2008 (Unaudited)

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

Note 17. Segmented information (continued)

Three months ended March 31, 2008	Onshore Thailand	Gulf of Thailand	Corporate	Total
Revenues				
Oil and gas revenues, net	\$-	\$-	\$-	\$-
Gain (loss) on derivative	-	-	27	27
Interest income	-	-	245	245
	-	-	272	272
Expenses				
Production expenses	-	-	-	-
General and administrative	-	-	3,447	3,447
Foreign exchange (gain) loss	-	-	3,382	3,382
Interest expense	-	-	229	229
Debt financing fees	-	-	-	-
Depletion, depreciation & accretion	-	-	43	43
Income taxes	666	-	-	666
Share of Apico earnings	(2,868)	-	-	(2,868)
Net income (loss)	\$2,202	\$-	\$(6,829)	\$(4,627)
Capital expenditures	\$-	\$19,612	\$67	\$19,679
As at December 31, 2008				
Investment in Apico	\$50,376	\$-	\$-	\$50,376
Property, plant and equipment, net	\$-	\$191,463	\$761	\$192,224
Total Assets	\$50,376	\$202,954	\$5,133	\$258,463

Note 18. Subsequent events

On April 3, 2009, the Company received the Thai Baht equivalent of \$36.2 million as a prepayment for 1,050,000 barrels of crude oil to be delivered through July 2009. The prepayment is based on a discounted price per barrel which takes into account the time value of the prepayment versus the expected delivery schedule for the crude oil production. The price per barrel is tied to a crude oil index and actual deliveries will be adjusted to reflect the current index price per the contract in effect at the date of delivery. This adjustment will be settled within 30 days of the actual delivery.

On May 28, 2009, the Company completed a public offering of 5,000,000 common shares of the Company at a price of \$2.87 (Cdn \$3.20) per common share, raising gross proceeds of \$14.4 million (Cdn \$16.0 million.) Proceeds of the offering, net of issuance costs of approximately \$0.8 million, were \$13.6 million. As part of this offering, the Company granted the underwriters an over-allotment option to purchase, on the same terms, up to an additional 750,000 common shares. This option is exercisable, in whole or in part, by the underwriters, in their sole discretion, at any time before June 26, 2009.

NON-INDEPENDENT DIRECTOR

Randy L. Bartley, President and CEO ⁽⁴⁾

INDEPENDENT DIRECTORS

C. Robert Black ^{(1) (2) (4) (5)}
Former Senior Vice President, Office of the Chairman
Texaco, Inc.

Bernard de Combret ^{(3) (4) (5)} Chairman
Former Deputy Chairman Executive Committee
Total Fina Elf, S.A.

Olivier de Montal
Administrator, Olympia Capital Holding

Lloyd Barnaby Smith ^{(2) (5)}
Former British Ambassador to Thailand

Forrest E. Wylie ^{(1) (3) (4) (5)}
Chairman, CEO & President
Buckeye Partners, L.P.

John B. Zaozirny ⁽¹⁾
Vice Chairman, Canaccord Capital

Committees of the Board:

- (1) Audit, (2) Compensation,*
- (3) Corporate Governance and Nominating,*
- (4) Executive; and (5) Reserves*

SENIOR MANAGEMENT

Bernard de Combret, Chairman

Randy L. Bartley, President, CEO, Director

William C. Phelps, Chief Financial Officer

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

TRADING SYMBOLS

CEN on TSX-V
CEO on AIM

WEBSITE

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INVESTOR RELATIONS

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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
mmbbls	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

Auditors:
Deloitte & Touche LLP (Canada)

Legal Counselors:
Stikeman Elliott LLP (Canada & UK)
Walkers SPV Limited (Cayman Islands)
Mayer Brown JSM (Thailand)

Stock Registrars:
Computershare (TSX-V)
Capita Registrars (LSE-AIM)

Nominated Advisor (NOMAD):
Strand Partners Limited

London Joint Brokers:
Thomas Weisel Partners
Tristone Capital Ltd.

COASTAL ENERGY COMPANY

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