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COASTAL CARIBBEAN OILS & MINERALS LTD

Form 424B3

June 21, 2002

P R O S P E C T U S

10,867,082 Shares of Common Stock of  
Coastal Caribbean Oils & Minerals, Ltd.

This is an offering of 10,867,082 shares of our common stock by subscription right to our existing shareholders. For every four shares of common stock held as of June 17, 2002, each shareholder will be entitled to purchase one share at a price of \$.50 per share. In addition, each shareholder who purchases his/her full allotment of shares will be entitled to purchase additional shares which are unsubscribed by other shareholders. There is no minimum number of shares that must be sold in the offering. Shareholders will not receive any interest for any over subscription payments that are returned.

The Offering

	Your Price	Commission	Proceeds to Coastal Caribbean
Per Share -----	\$ .50 -----	\$ 0 -----	\$.50 -----
Total -----	\$5,433,541 -----	\$ 0 -----	\$5,433,541 -----

Our common stock has been quoted and traded in the over-the-counter market on the "Electronic Bulletin Board" of the National Association of Securities Dealers, Inc. under the symbol COCBF.OB and on the Boston Stock Exchange under the symbol COCBF. On June 14, 2002, the closing sale price of our common stock as reported on the "Electronic Bulletin Board" was \$.70 per share.

There are no underwriters involved with this offering.

The shares of common stock offered hereby involve a high degree of risk. You should purchase shares only if you can afford a complete loss. See "Risk Factors" beginning at page 6 for a discussion of certain factors that you should consider before you purchase any shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is June 17, 2002.



Bermuda corporation, was founded in 1953. Our principal executive office is located at Clarendon House, Church Street, Hamilton, Bermuda HM CX. Our telephone number at that address is (441) 295-1422. Our internet web address is [www.coastalcarib.com](http://www.coastalcarib.com). The contents of our web site are not incorporated into this prospectus. In this prospectus, "Coastal Caribbean," "we," "us," and "our" refer to Coastal Caribbean Oils & Minerals, Ltd. and its majority owned subsidiary, Coastal Petroleum Company, unless the context otherwise dictates. References to "dollars" or "\$" are to United States dollars. Our principal asset is our 59% interest in Coastal Petroleum Company. Coastal Petroleum's principal assets are its nonproducing oil, gas and mineral leases and royalty interests in the State of Florida. To date, Coastal Petroleum has made no commercial discoveries on the lands covered by these leases. Coastal Caribbean is a Passive Foreign Investment Company for United States federal income tax purposes. See "Material Tax Consequences" page 45.

Our Operating History

- o Since the denial in 1998 of our permit application to drill an exploration well on our property offshore Florida, we have been engaged in litigation against the State of Florida, at first appealing that denial and subsequently seeking compensation for the alleged taking of Coastal Petroleum's property. Although we have been in business for many years, we are still a development stage company because our exploration for oil, gas and minerals has not yielded any significant revenues or reserves. In recent years our exploration has been extremely limited.

In 1992, Coastal Petroleum filed an application for a permit to drill an exploration well on its Lease 224-A offshore Florida. In 1998 the State of Florida denied the permit application, and Coastal Petroleum commenced litigation against the State appealing the denial. When the permit denial was upheld by a Florida appeals court in July 2000, Coastal Petroleum commenced litigation in January 2001 to obtain compensation from the State of Florida for the alleged taking of Coastal Petroleum's Lease 224-A. On May 21, 2002 Coastal Petroleum filed another lawsuit to obtain compensation from the State of Florida for the alleged taking of its Lease 224-B offshore Florida on property contiguous to Lease 224-A.

We incurred a loss of \$554,000 for the three month period ended March 31, 2002, a loss of \$6,585,000 for the year 2001, a loss of \$1,386,000 for the year 2000 and a loss of \$1,105,000 for the year 1999. We had a deficit accumulated during the development stage of



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- Litigation
- o Coastal Petroleum is currently involved in litigation with the State of Florida with regard to whether the State's offshore drilling policy and its denial of Coastal Petroleum's application for an oil and gas exploration drilling permit constitute a taking of Coastal Petroleum's property for which the State must compensate Coastal Petroleum. We are also involved in litigation with the State of Florida seeking compensation for confiscation of certain royalty interest acreage off the Florida coast. See "Legal Proceedings" at page 24.

### SUMMARY FINANCIAL DATA

The following summary financial data (in thousands) for the three years in the period ended December 31, 2001 are derived from the audited consolidated financial statements of Coastal Caribbean Oils & Minerals, Ltd. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included in this prospectus. The summary financial data for the years ended December 31, 1998 and 1997 have been derived from the consolidated financial statements which are not included in this prospectus. The information as of and for the three month periods ended March 31, 2002 and 2001 is unaudited but includes all adjustments which Coastal Caribbean considers necessary for a fair presentation of the results of operations for those periods.

	Three months ended March 31,			Years ended	
	2002 ----- (\$) (Unaudited)	2001 ----- (\$) (Unaudited) (Restated)	2001 ----- (\$)	2000 ----- (\$) (Restated)	1999 ----- (\$) (Restated)
Net loss	(554) =====	(692) =====	(6,585) =====	(1,386) =====	(1,100) =====
Net loss per share (basic and diluted)	(.01) =====	(.02) =====	(.15) =====	(.03) =====	(.04) =====
Cash and cash equivalents and marketable securities	271 ===	2,423 =====	609 ===	2,959 =====	1,000 =====
Unproved oil, gas and mineral properties (full cost method)	- =====	4,142 =====	- =====	4,145 =====	4,145 =====
Total assets	815 ===	6,916 =====	1,077 =====	7,497 =====	5,145 =====

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Shareholders' equity:					
Common stock	5,216	5,216	5,216	5,216	4,
Capital in excess of par value	31,498	31,498	31,498	31,498	28,
Deficit accumulated during the development stage	(36,549)	(30,102)	(35,996)	(29,410)	(28,0
	-----	-----	-----	-----	-----
Total shareholders' equity	164	6,612	718	7,304	5,
	=====	=====	=====	=====	=====
Common stock shares outstanding (average)	43,468	43,468	43,468	40,844	40,
	=====	=====	=====	=====	=====

As more fully described in Notes 1 and 4 to the consolidated financial statements, we have a limited amount of working capital, have incurred recurring losses and have a deficit accumulated during the development stage. We have been and continue to be involved in several legal proceedings against the State of Florida which limited our ability to commence development activities on our unproved oil and gas properties or obtain compensation for certain property rights we believe have been taken. These situations raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities which may result from the outcome of this uncertainty.

During the year 2001, the Company concluded that its property interests were impaired by the actions taken by the State of Florida and therefore, recorded an impairment charge in the amount of approximately \$4.2 million to reflect the write off of these costs. See Item 8. - Note 4. Litigation. During 2001, the Company restated the deficit accumulated during the development stage at December 31, 1997 to reflect a write off of certain costs incurred prior to December 31, 1960 attributable to dry holes on abandoned leases as follows (in thousands):

Deficit accumulated during the development stage	
Balance at December 31, 1997 as previously reported	\$25,102
Write off of unproved properties	663
	-----
Balance at December 31, 1997 as restated	\$25,765
	=====

### RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risk factors and other information in this prospectus and the documents we incorporate by reference in evaluating our company before you purchase any shares of our common stock. If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. In this case, the trading price of the common stock could decline and you may lose all or part of your

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investment.

### RISKS RELATED TO OUR BUSINESS AND THE LITIGATION

We have a history of losses and anticipate further losses, which could cause us to discontinue our business.

Our business has never had substantial revenues and has operated at a loss in each year since our inception in 1953. We recorded a loss of \$554,000 for the three month period ended March 31, 2002, a loss of \$6,585,000 for the year December 31, 2001, a loss of \$1,386,000 for the year 2000 and a loss of \$1,105,000 for the year 1999. If we continue to sustain losses and are unable to achieve profitability, we may not be able to continue our business and may have to curtail, suspend or cease operations. You should also see Note 1 to our financial statements regarding the uncertainty as to our ability to continue as a going concern.

During the three years ended December 31, 2001 and the three months ended March 31, 2002, we spent approximately \$3.0 million on legal expenses primarily for the lawsuits against the State of Florida relating to drilling permits and royalty interests. If we continue to incur significant expenses and are unable to raise additional funds to meet these expenses, we may have to cease or suspend our lawsuits and/or cease operations entirely.

In the unlikely event that we were to receive drilling permits related to the St. George Island prospect or other exploratory wells, we would be required to incur a significant amount of operating expenditures to commence drilling operations and would need to generate significant revenues to achieve profitability. We may not be able to achieve or sustain revenues, profitability or positive cash flow and cannot assure that profitability, if achieved, will be sustained.

Our auditors have expressed the view that our negative working capital, negative stockholders' equity and capital deficiencies raise substantial doubt about our ability to continue as a going concern.

Our auditors have included an explanatory paragraph in their report for the year ended December 31, 2001, indicating there is substantial doubt regarding our ability to continue as a going concern. The financial statements included elsewhere in this prospectus do not include any adjustments to asset values or recorded liability amounts that might be required in the event we are unable to continue as a going concern. If we are in fact unable to continue as a going concern, you may lose your entire investment in our common stock.

Without additional financing, we only have enough liquid assets on hand to continue to operate the Company for part of the year 2002.

We believe that our funds on hand will be sufficient to permit us to continue to operate through the second quarter of 2002 and to pay the remaining expenses related to this offering which are estimated to be approximately \$114,000 (total amount \$350,000). After that time, we may have to suspend or cease operations unless and until we can secure additional financing. Effective February 20, 2002, our directors, officers, legal counsel and administrative consultants have agreed to defer the payment of all of their salaries and fees until we have working capital of at least \$1 million. We currently do not have any commitments for additional financing. We may be unable to obtain additional financing in the future on acceptable terms or at all.

If ultimately the courts rule that the State of Florida may deny us a permit and not compensate us for the taking of our property, we may be unable to continue our business.

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In the event that the courts determine that the State of Florida is entitled to deny Coastal Petroleum a permit without compensation, it is likely that we would be unable to continue our business and that shareholders would suffer a complete loss of their investment.

We may be unable to raise the additional financing needed to cover the substantial litigation costs of proving our properties have been taken and their value.

Coastal Petroleum has filed a claim with the Florida Circuit Court that its property has been taken by the State of Florida, and that Coastal Petroleum is owed compensation by the State of Florida. We will need to secure additional financing to cover the costs of this litigation, which we estimate will be substantial. If we are unable to secure the additional financing adequate to fund the costs of such litigation for a lengthy period of time, we might not be able to conclude the litigation and might have to cease the lawsuits against the State of Florida without any meaningful recovery.

The State of Florida has far greater resources than we do to prosecute the litigation.

The State of Florida utilizes lawyers from the Florida Attorney General's Office, the Department of Environmental Protection and at least two private law firms to represent its interests in the litigation. In the event that our funds are exhausted before the conclusion of the litigation, we may be unable to conclude the litigation and might be required to cease business which could result in the complete loss of your investment.

If the amount of money we recover from the State of Florida is inadequate to cover our costs, we may suffer additional losses.

Coastal Petroleum's lawsuits against the State of Florida involve highly specialized technical engineering and legal judgments. Any recovery that Coastal Petroleum may receive as a result of a court judgment against the State of Florida may be insufficient to cover the costs of prosecuting the claims at trial. If this occurs, we may be forced to cease operations, the value of your investment in our common stock could decline significantly, and you may realize a total loss of your investment.

Coastal Caribbean is currently a passive foreign investment company, or PFIC, for U.S. federal income tax purposes, which could result in negative tax consequences to you.

If, for any taxable year, our passive income or our assets that produce passive income exceed levels provided by U.S. law, we would be a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes. For the years 1987 through 2001, Coastal Caribbean's passive income and assets that produce passive income exceeded those levels and for those years Coastal Caribbean constituted a PFIC. Based upon Coastal Caribbean's current passive income, it is likely that Coastal Caribbean will be classified as a PFIC in 2002. If Coastal Caribbean is a PFIC for any taxable year, then our U.S. shareholders potentially would be subject to adverse U.S. tax consequences of holding and disposing of shares of our common stock for that year and for future tax years. Any gain from the sale of, and certain distributions with respect to, shares of our common stock, would cause a U.S. holder to become liable for U.S. federal income tax under Code section 1291 (the interest charge regime). The tax is computed by allocating the amount of the gain on the sale or the amount of the distribution, as the case may be, to each day in the U.S. shareholder's holding period. To the extent that the amount is allocated to a year, other than the year of the disposition or distribution, in which the corporation was treated as a PFIC with respect to the U.S. holder, the income will be taxed as ordinary income at the highest rate in effect for that year, plus an interest



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charge.

Please see a discussion of these consequences below under the heading "Material Tax Consequences - Passive Foreign Investment Company Rules". We encourage you to consult with a personal tax advisor for advice relating to the potential adverse tax consequences related to an investment in our common shares.

### RISKS RELATED TO THE OFFERING

The price of our common stock is volatile, which could hinder your ability to sell your stock and avoid a loss on your investment.

Our common stock has been quoted and traded in the over-the-counter market on the "Electronic Bulletin Board" of the National Association of Securities Dealers, Inc. under the symbol COCBF.OB and on the Boston Stock Exchange under the symbol COCBF. The market price of our common stock has fluctuated in the past and may continue to be volatile in the future. As a result of this volatility, you may find it more difficult to sell our stock in a declining market and avoid a loss on your investment. This volatility is a result of a variety of factors, including our current and anticipated results of operations, and the anticipated outcome of our litigation with the State of Florida.

Because shares purchased in the offering will be distributed on a delayed basis, you are at risk of downward price fluctuations prior to receipt of certificates representing your shares.

Until certificates representing the shares you purchase are delivered upon expiration of the rights offering, you will not be able to resell your shares. Certificates representing the shares you purchase will be delivered as soon as practicable after expiration of the rights offering. However, during this interim time period, you may sustain an immediate unrealized loss on your investment if our stock price declines below the offering price.

Purchasers in this offering will experience immediate net tangible asset dilution and may experience further dilution from the future exercise of stock options or from future stock offerings.

We expect that the offering price of our common stock in this offering will be substantially higher than the net tangible book value per share of our outstanding common stock. Accordingly, if the offering is successful, purchasers of common stock in the offering will experience immediate and substantial dilution of approximately \$.40 in net tangible book value per share, or approximately 80% of the assumed public offering price of \$.50 per share. Investors will incur additional dilution upon the exercise of outstanding stock options and warrants. See "Dilution" at page 14 for further discussion of the dilution that new investors will incur.

Finally, if we raise additional funds by issuing equity or convertible debt securities, your percentage ownership may be further diluted. Any securities issued could have rights, preferences and privileges senior to our common stock.

Our Bye-laws contain provisions which may limit a shareholder's efforts to influence our policies and prevent or delay a change in control of our Company.

Bye-Law 1 provides that any matter to be voted on at any meeting of shareholders must be approved not only by a simple majority of the shares voted at such meeting, but also by a majority of the shareholders present in person or by proxy and entitled to vote at the meeting. This provision may have the effect

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of making it more difficult to take corporate action than customary "one share one vote" provisions, because it may not be possible to obtain the necessary majority of both votes. As a consequence, Bye-Law 1 may make it more difficult that a takeover of the company will be consummated, which could prevent the company's shareholders from receiving a premium for their shares. In addition, an owner of a substantial number of shares of our common stock may be unable to influence our policies and operations through the shareholder voting process (e.g., to elect directors).

Our Bye-Laws also require the approval of 75% of the voting shareholders and of the voting shares for the consummation of any business combination (such as a merger, amalgamation or acquisition proposal) involving our company. This higher vote requirement may deter business combination proposals which shareholders may consider favorable.

You may face obstacles to bringing suit in Bermuda against our officers and directors.

We are a Bermuda company and certain of our directors and officers are residents of Bermuda and are not citizens of the United States. As a result, it may be difficult for investors to effect service of process on us or on these directors and officers within the United States or to enforce against these directors and officers judgments of U. S. courts predicated on the civil liabilities under the federal securities laws. If investors are unable to bring such suits, they may be unable to recover a loss on their investment resulting from any violations of the federal securities laws.

There is no precedent for, and therefore no assurance that, the courts in Bermuda would enforce civil liabilities, whether in original actions in Bermuda or in the form of final judgments of U. S. courts, arising under the federal securities laws against us or the persons signing this registration statement. In addition, there is no treaty in effect between the U. S. and Bermuda providing for the enforcement of civil liabilities and there are grounds upon which Bermuda Courts may not enforce judgments of U. S. courts. In addition, some remedies available under the laws of U. S. jurisdictions, including some remedies available under the United States federal securities laws, may not be allowed in Bermuda courts as contrary to that nation's public policy.

Our dividend policy could depress our stock price.

We have never declared or paid dividends on our common stock and do not anticipate declaring or paying any dividends in the foreseeable future. We plan to retain any future earnings to reduce our deficit accumulated during the development stage of \$36,549,000 at March 31, 2002 and to finance our operations. As a result, our dividend policy could depress the market price for our common stock.

Any dividends are subject to a 30% withholding tax.

We are a Bermuda corporation. Bermuda currently imposes no taxes on corporate income or capital gains realized outside of Bermuda. However, any dividends we receive from Coastal Petroleum are subject to a 30% United States withholding tax. As a result, our investors may realize a smaller rate of return on their investment in our common stock.

Our common stock may be delisted from the Boston Stock Exchange.

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We are currently not in compliance with certain of the listing requirements of the Boston Stock Exchange. We currently fails to meet the Exchange's requirements of total assets of \$1,000,000 and shareholders' equity of \$500,000. The Exchange has advised us that if these deficiencies are not remedied it will result in the suspension of trading in the Company's common stock and delisting of the stock from the Exchange. If this occurs, the market for and liquidity of our common stock will be adversely affected.

### RISKS RELATED TO OUR INDUSTRY

The State of Florida has stated that its policy is not to permit oil and gas drilling offshore Florida and the State has denied Coastal Petroleum a permit with respect to its St. George's Island prospect. Consequently, we do not believe that the State of Florida will grant drilling permits to Coastal Petroleum with respect to its leases. In the unlikely event that the State ever does grant Coastal Petroleum a drilling permit, Coastal Petroleum would have to contend with other risks.

After obtaining a state drilling permit, Coastal Petroleum would have to do the following:

- o obtain a federal drilling permit;
- o finance drilling of the well (including the cost of the recommended surety), which is currently estimated to cost approximately \$5.5 million; and
- o begin drilling the well within one year of the date the state permit is issued.

We may be unable to obtain the necessary federal permits or we may be unable to finance and commence drilling operations in a timely manner.

If we fail to discover and develop sufficient oil and gas reserves, we would be unable to generate sufficient revenues to cover our costs and might have to curtail, suspend or cease our business operations.

Drilling activities involve numerous risks, including the risk that no commercially productive natural gas or oil reservoirs will be discovered. The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of adverse conditions beyond our control. Poor results from our exploration and drilling activities could prevent us from developing sufficient oil and gas reserves at a commercially acceptable cost.

Compliance with environmental and other governmental regulations could be costly.

Our operations and right to obtain interests in and hold properties or to conduct our business might be affected to an unpredictable extent by limitations imposed by the laws and regulations which are now in effect or which might be adopted by the jurisdictions in which we carry on our business.

Further measures that have been or might be imposed include increased bond requirements, conservation, proration, curtailment, cessation or other forms of limiting or controlling production of hydrocarbons or minerals, as well as price controls or rationing or other similar restrictions. In particular, environmental control and energy conservation laws and regulations adopted by federal, state and local authorities may have to be complied with by leaseholders such as Coastal Petroleum.

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We face strong competition from larger oil and gas companies that may impair our ability to carry on operations.

If we receive the necessary state and federal permits to conduct operations, we will operate in the highly competitive areas of oil and gas exploration, development and production. We might not be able to compete with, or enter into cooperative relationships with, our potential competitors, which include major integrated oil companies, substantial independent energy companies, affiliates of major interstate and intrastate pipelines and national and local gas gatherers. If we were unable to establish and maintain competitiveness, our business would be threatened.

Many of our competitors possess greater financial, technical and other resources than we do. Factors which affect our ability to successfully compete in the marketplace include:

- o the financial resources of our competitors;
- o the availability of alternate fuel sources; and
- o the costs related to the extraction and transportation of oil and gas.

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### USE OF PROCEEDS

The proceeds will be used for general corporate purposes, including working capital and continuation of the Florida litigation. See "Legal Proceedings" and "Our Business and Properties." Assuming all of the shares offered by this prospectus are sold at a price of \$.50 per share, we will realize net proceeds (after estimated expenses of the offering of \$350,000) of approximately \$5,083,000. The net proceeds of the offering would be added to our general funds and would not be expressly designated for any particular purpose. However, we currently expect that the net proceeds would be used for the following purposes, assuming that we received 25%, 50%, 75% and 100%, respectively, of the offered proceeds:

	25%	50%	75%
	---	---	---
Litigation (including legal fees and			
experts' costs)	\$ 537,635	\$1,466,771	\$2,775,156
Administrative, accounting, legal			
and other expenses	470,750	900,000	950,000
	-----	-----	-----
Total	\$1,008,385	\$2,366,771	\$3,725,156

=====

Effective February 20, 2002, our directors, officers, legal counsel and administrative consultants have agreed to defer the payment of all of their salaries and fees until the Company has working capital of at least \$1 million. The amount of this deferral, which is included in the 2002 working capital requirements of approximately \$2,400,000, amounts to approximately \$1,300,000 on an annual basis.

Litigation expenses may vary depending on the progress of the cases in which we are involved. If the net proceeds are substantially less than the estimated amounts, and if we and Coastal Petroleum are unable to obtain additional funds, Coastal Petroleum may be unable to pursue the Florida litigation. If the gross proceeds of the offering do not exceed the costs of this offering, we would attempt to pay the excess costs over gross proceeds from our current assets.

Coastal Caribbean has been making loans to Coastal Petroleum, its majority owned subsidiary, in order for Coastal Petroleum to continue the Florida Litigation and pay its operating expenses. At December 31, 2001, the amount of these loans totaled \$20,826,287 (March 31, 2002 - \$21,038,089) and the accumulated interest on the loans totaled \$5,758,768 (March 31, 2002 - \$6,161,397) for a total indebtedness of \$26,585,055 (March 31, 2002 - \$27,199,486).

#### CAPITALIZATION

The following table shows our cash and cash equivalents, investments and total capitalization:

- o on an actual basis as of March 31, 2002; and
- o as adjusted to reflect the sale of 10,867,082 shares of common stock offered by this prospectus at an assumed public offering price of \$.50 per share, after deducting the estimated offering expenses of approximately \$350,000 payable by us.

You should read this information together with our financial statements and the notes relating to those statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Use of Proceeds" appearing elsewhere in this prospectus.

As of March 31,

	Actual
Cash and cash equivalents	\$271,475
	=====
Marketable Securities	-

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Short-Term Debt	-
Long-Term Debt	-
Minority Interests	-
Shareholders Equity:	
Common stock, par value \$.12 per share:	
250,000,000 shares authorized	
43,468,329 shares outstanding	
54,335,411 shares outstanding as adjusted	
Common stock	\$ 5,216,199
Capital in excess of par value	31,497,362
Deficit accumulated during the development stage	(36,549,070)
	-----
Total Shareholders Equity	\$ 164,491
	=====

The number of shares as adjusted for this offering excludes:

- o 925,000 shares which may be issued upon the exercise of outstanding options held by our directors and officers as of March 31, 2002; and
- o 7,800,000 shares which may be issued in the event that Lykes Minerals Corp. exercises its rights to exchange Coastal Petroleum shares for shares of our common stock.

### DILUTION

You will experience immediate and substantial dilution in net tangible book value of your common stock as a result of this offering. The following table illustrates the per share dilution to purchasers of shares giving effect to the sale of all of the shares in the offering at a price of \$.50 per share:

Offering price attributable to each share of common stock	\$.50
Net tangible book value before the offering (1)	\$.--
Increase attributable to payments for shares of common stock	.10
	-----
Pro forma net tangible book value per share after the offering	.10
	-----
Dilution to purchasers of the shares (2) (3)	\$.40
	=====

(1) We calculate net tangible book value per share by dividing the number of shares of common stock outstanding into the tangible net worth of Coastal Caribbean (tangible assets less liabilities and minority interest) outstanding at March 31, 2002.

(2) We calculate dilution to new investors by subtracting net tangible book value per share of common stock after the offering from the per share price attributable to a share of common stock purchased.

(3) This estimate of dilution does not reflect the results of operations since March 31, 2002 nor does it give any effect to the outstanding options to purchase shares of our common stock. There are 7,800,000 shares of common stock reserved which may be issued in exchange for 78 Coastal Petroleum shares. There are also 980,000 shares reserved for stock options granted to our officers, directors and consultants. Of these options, 925,000 were exercisable at March

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31, 2002. If the options to acquire the 8,725,000 shares had been exercised at March 31, 2002, the dilution to purchasers would be \$.39 per share. The dilution of the 7,800,000 shares does not reflect any value for the increase in ownership of Coastal Petroleum from approximately 59% to 86%.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Overview

The following is a discussion of certain factors affecting our results for the three months ended March 31, 2002 and 2001 and the three fiscal years ending December 31, 2001 and our liquidity and capital resources. This discussion should be read along with our consolidated financial statements and their notes, which can be found at page F-1 of this prospectus.

#### Liquidity and Capital Resources

##### Short Term Liquidity

At March 31, 2002, Coastal Caribbean had approximately \$271,000 of cash and cash equivalents available and this amount should be sufficient to fund the Company's operations through the second quarter of 2002 and to pay the remaining expenses associated with the proposed rights offering of approximately \$114,000 (total amount of \$350,000). After June 30, 2002, the Company may have to suspend or cease operations unless and until the Company can secure additional financing. In addition, an estimated minimum amount of \$500,000 would be necessary to fund the Company's operations through December 31, 2002. These funds are expected to be used for general corporate purposes, including lease rental payments of approximately \$60,000 annually and to continue the litigation against the State of Florida. The estimated working capital necessary to fund the Company's operations, including the costs of the litigation and the proposed rights offering, for 2002 is approximately \$2,400,000. In the event that the offering of the Company's common stock is inadequate to fund the Company's capital needs, the Company intends to explore other possible funding sources, particularly the other shareholders of Coastal Petroleum. Effective February 20, 2002, the Company's directors, officers, legal counsel and administrative consultants have agreed to defer the payment of all of their salaries and fees until the Company has working capital of at least \$1 million. The amount of this deferral, which is included in the 2002 working capital requirements of approximately \$2,400,000, amounts to approximately \$1,300,000 on an annual basis.

Coastal Caribbean has a limited amount of working capital, has incurred recurring losses and has a deficit accumulated during the development stage. On January 16, 2001, Coastal Petroleum filed a complaint in the Leon County Circuit Court in Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its Lease 224-A. The cost of that litigation has been substantial and will require the Company to obtain additional capital. On January 10, 2002, the Company filed a preliminary registration statement for the sale of its common stock. The terms of the offering have not yet been determined.

As more fully described in Notes 1 and 4 to the consolidated financial statements, we have a limited amount of working capital, have incurred recurring losses and have a deficit accumulated during the development stage. We have been

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and continue to be involved in several legal proceedings against the State of Florida which has limited our ability to commence development activities on our unproved oil and gas properties or obtain compensation for certain property rights we believe have been taken. These situations raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities which may result from the outcome of this uncertainty.

### Long Term Liquidity

On January 16, 2001, Coastal Petroleum Company filed a complaint in the Leon County Circuit Court, Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its state Lease 224-A. The Company expects that the cost of the litigation will be substantial.

In the event that the offering of the Company's common stock referred to above is inadequate to fund the Company's capital needs, the Company intends to explore other possible funding sources, particularly the other shareholders of Coastal Petroleum.

### Results of Operations

The Company, a development stage enterprise, has never had substantial revenues and has operated at a loss each year since its inception in 1953. During the three years ended December 31, 2001 and the three months ended March 31, 2002, we spent approximately \$3.0 million on legal expenses primarily for the lawsuits against the State of Florida relating to drilling permits and royalty interests.

Three month period ended March 31, 2002 vs. March 31, 2001

The Company incurred a loss of \$554,000 for the 2002 quarter, compared to a loss of \$692,000 for the comparable 2001 quarter.

Interest and other income decreased 89% from \$37,000 in the 2001 quarter to \$4,000 in the 2002 quarter because of the lack of funds to invest.

Legal fees and costs decreased 40% to \$316,000 for the 2002 quarter, compared to \$525,000 in the prior period. Legal fees and costs had increased in the 2001 period because on January 16, 2001, Coastal Petroleum Company filed a complaint in the Leon County Circuit Court, Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its state Lease 224-A. In addition, Coastal Petroleum responded to the State's motions to dismiss the lawsuit. The Company expects that the cost of the litigation will continue to be substantial in the year 2002.

Administrative expenses increased 29% to \$194,000 in the 2002 period compared to \$150,000 in the 2001 period. Auditing and accounting expenses increased during the 2002 period to \$88,000 compared to \$63,000 in the 2001 period because of the costs associated with various filings with the Securities and Exchange Commission.

Salaries did not change during the periods and remained at \$38,000 in the 2002 quarter.

Shareholder communications decreased 40% during the 2002 period to \$9,000 from \$15,000 in the 2001 period because during the 2001 period the



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Company's public relations costs increased as a result of the filing of the taking case in January 2001.

Exploration costs decreased from \$500 in the 2001 quarter to \$0 in the 2002 quarter.

### 2001 vs. 2000

We incurred a loss of \$6,585,000 for the year 2001 compared to a loss of \$1,386,000 for the year 2000.

Interest income and other income increased 24% from \$63,000 in 2000 to \$78,000 in 2001 because of the funds realized and invested from the October 2000 sale of common stock to our shareholders.

Legal fees and costs increased 164% to \$1,670,000 for 2001 from \$634,000 in 2000. Legal fees and costs increased in 2001 in connection with Coastal Petroleum Company's lawsuit against the State of Florida seeking compensation for the State's alleged taking of its property rights to explore for oil and gas within its state Lease 224-A. We expect that the cost of the litigation will be substantial.

Administrative expenses decreased in 2001 to \$534,000 from \$535,000 in 2000.

Salaries did not change during the periods and remained at \$152,000 in 2001.

Shareholder communications costs decreased slightly to \$106,000 in 2001 compared to \$108,000 in 2000.

Exploration costs decreased from \$20,000 in 2000 to \$500 in 2001 because of the State of Florida's denial of the Company's application for a permit to drill on Lease 224-A. In 2000, Coastal Petroleum incurred expenses associated with drilling permit applications in connection with shallow test wells to comply with Coastal Petroleum's drilling obligations.

Write off of unproved properties totaled \$4,202,000 in 2001. During 2001, the Company concluded that the value of its leases has been taken and its property interests were impaired by the actions taken by the State of Florida and therefore, has recorded an impairment charge to reflect the write off of these costs. All future costs incurred in connection with the Company's Florida leases will be expensed as incurred.

### 2000 vs. 1999

We recorded a loss of \$1,386,000 for 2000, compared to a loss of \$1,105,000 in 1999.

Interest income and other income increased 13% to \$63,000 in 2000 from \$55,000 in 1999 because more funds were available for investment during 2000 after our sale of common stock was completed in October 2000.

Legal fees and costs increased 56% in 2000 to \$634,000 compared to \$405,000 in 1999 because in 2000 we prepared our complaint to file in the Florida Circuit Court to claim that the Coastal Petroleum's Lease 224-A had been taken by the State of Florida. We also recorded a noncash charge to legal expense in the amount of \$75,000 in connection with the issuance of a stock

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option grant in 2000.

Administrative expenses increased 13% during 2000 to \$535,000 compared to \$474,000 in 1999. During December 1999, we increased our Directors and Officers liability insurance coverage from \$6.2 million to \$12.2 million which increased insurance costs.

Salaries decreased 4% to \$152,000 during 2000 compared to \$158,000 during 1999. An employee who has not been replaced left Coastal Petroleum during 1999.

Shareholder communications costs increased 5% from \$103,000 in 1999 to \$108,000 in 2000 because of the cost of various listing fees.

Exploration costs decreased 6% from \$21,000 in 1999 to \$20,000 in 2000. These miscellaneous exploration expenses do not include the exploration expenditures totaling \$48,000 that were capitalized in 2000 (\$24,000 in 1999).

### MARKET RISK DISCLOSURES

We do not have any significant exposure to market risk as the only market risk sensitive instruments are its investments in marketable securities which are classified as cash and cash equivalents. At March 31, 2002, the carrying value of such investments was approximately \$200,000, the fair value was \$200,000 and the face value was \$200,000.

### OUR BUSINESS AND PROPERTIES

#### General

Coastal Caribbean is a company organized under the laws of Bermuda, with its principal executive offices at Clarendon House, Church Street, Hamilton, Bermuda (telephone number: 441-295-1422). Shares of our common stock are listed on the Boston Stock Exchange and also are traded over-the-counter on the "Electronic Bulletin Board" marketplace of the National Association of Securities Dealers, Inc. We rely heavily on consultants for legal, accounting and administrative services. Our principal asset is our 59.25% owned subsidiary, Coastal Petroleum, a Florida corporation.

#### Operations

Coastal Petroleum is the lessee under leases with the State of Florida relating to the exploration for and production of oil, gas and minerals on approximately 3,700,000 acres of submerged lands along the Gulf Coast and under certain inland lakes and rivers. The leases provide for a working interest in approximately 1,250,000 acres and a royalty interest in approximately 2,450,000 acres covered by the leases. Coastal Petroleum has made no commercial discoveries on its leaseholds.

Coastal Petroleum is currently involved in litigation with the State of Florida with regard to whether the State's policy against offshore drilling and denial of Coastal Petroleum's application for an oil and gas exploration drilling permit constitutes a taking of Coastal Petroleum's property for which the State must compensate Coastal Petroleum. In addition, Coastal Caribbean is a party to one additional action in which Coastal Caribbean claims that certain of its royalty interests have been confiscated by the State. During 2001, the Company actively pursued the Florida Litigation. See "Legal Proceedings".

In 1990, the State of Florida enacted legislation that prohibits drilling or exploration for oil or gas on Florida's offshore acreage. The law does not apply to areas where Coastal Petroleum is entitled to conduct exploration. However, in those areas where Coastal Petroleum has only a royalty

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interest, the law effectively prohibits production of oil and gas, rendering it impossible for Coastal Petroleum to collect royalties from those areas.

### Business

Coastal Caribbean was organized in Bermuda on February 14, 1962. We are the successor to Coastal Caribbean Oils, Inc., a Panamanian corporation organized on January 31, 1953 to be the holding company for Coastal Petroleum.

We own 59.25% of Coastal Petroleum. We are considered to be a development stage company since our exploration for oil, gas and minerals has not yielded any significant revenues. Coastal Petroleum's principal assets are its nonproducing oil, gas and mineral leases and royalty interests. In 1992, Coastal Petroleum filed an application for a permit to drill an exploration well on its property offshore Florida. In 1998, the State of Florida denied the permit application and Coastal Petroleum commenced litigation against the State appealing the denial. The permit denial was upheld by a Florida appeals court in July 2000 and Coastal Petroleum in January 2001 filed a complaint against the State of Florida seeking compensation from the State of Florida. Coastal Petroleum believes that its leases have been confiscated by the State of Florida. Coastal Petroleum also believes the leases or the potential recovery from the State of Florida are properly considered to be assets, although we have written off the costs related to its oil, gas and mineral properties. If we continue to incur significant expenses and are unable to raise additional funds to meet these expenses, we may have to cease or suspend our lawsuits and/or cease operations entirely.

In the event that Coastal Petroleum is unsuccessful in its effort to establish that its property has been taken without compensation, the Company would likely consider the sale of its interest in Coastal Petroleum Company and a subsequent liquidation of the Company.

### Properties

Coastal Petroleum holds certain working interests in nonproducing oil, gas and mineral leases covering approximately 1,250,000 acres, and a royalty interest in approximately 2,450,000 acres, in and offshore the State of Florida. No commercial oil or gas discoveries have been made on the properties covered by these leases and Coastal Petroleum has no proved reserves of oil or gas and has had no significant production.

In 1941, Arnold Oil Explorations, Inc., renamed Coastal Petroleum Company in 1947, entered into a contract with the Trustees of the Internal Improvement Trust Fund of the State of Florida, in whom title to publicly owned lands in the State of Florida, including bottoms of salt and fresh waters, is irrevocably vested, for the exploration of oil, gas and minerals on such lands. The Trustees and Coastal Petroleum entered into three leases in late 1944 and early 1946. The acreage covered by these leases is located for the most part along offshore areas on the Gulf Coast of Florida and in submerged lands under certain bays, inlets, riverbeds and lakes, of which Lake Okeechobee is the largest.

In 1968, Coastal Petroleum sued the Secretary of the Army of the United States in a permitting dispute. In 1969, as part of that litigation, the Trustees claimed that the leases were invalid and had been forfeited. Coastal Petroleum and the Trustees settled their disagreement on January 6, 1976.

Under the terms of the 1976 settlement agreement, the two leases (224-A and 224-B) bordering the Gulf Coast were divided into three areas, each running the entire length of the coastline from Apalachicola Bay to the Naples area:

- o The inner area, including rivers, bays, and harbors, extends seaward

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from the Florida shoreline a distance of 4.36 statute miles (5,280 feet per statute mile) into the Gulf, covers approximately 2.25 million acres, and is subject to a royalty interest payable to Coastal Petroleum. This interest is a 6.25% royalty on the wellhead value of all oil and gas, 25 cents per long ton on sulphur, receivable in cash or in kind at Coastal Petroleum's option, and a 5% royalty on production or the market value of other minerals.

- o The middle area, which was three statute miles wide and contained more than 800,000 acres, was released by Coastal Petroleum to the Trustees, and Coastal Petroleum has no further interest in the area.
- o Coastal Petroleum presently owns a 100% working interest in the outside area, which extends seaward an additional three statute miles and borders federal offshore acreage. This area, exceeding 800,000 acres, remains subject to royalties payable to the State of Florida of 12.50% on oil and gas, \$.50 per long ton of sulphur and 10% on other minerals. The Florida legislature has enacted statutes designed to protect the Big Bend Seagrass Aquatic Preserve, an area covering approximately one quarter of Coastal Petroleum's working interest area. However, the legislation and legislative history recognize and preserve Coastal Petroleum's prior rights as granted by the leases.

Coastal Petroleum retains a 100% working interest in 450,000 acre Lake Okeechobee which is a part of Lease 248 and which is also subject to royalties payable to the State of Florida of 12.50% on oil and gas, \$.50 per long ton of sulphur and 10% on other minerals. Under the settlement with the State of Florida in 1976, Coastal Petroleum agreed not to conduct exploration, drilling or mining operations on Lake Okeechobee without the prior approval of the State. As to the balance of this lease, covering approximately 200,000 acres, Coastal Petroleum retains royalty interests of 6.25% on oil, gas and sulphur and 5% on other minerals.

Under the 1976 settlement agreement with the Trustees, the three leases have a term of 40 years beginning from January 6, 1976 and require the payment of an annual rental of \$59,247; if oil, gas or minerals are being produced in economically sustainable quantities at January 6, 2016, these operations will be allowed to continue until they become uneconomic. Further, the settlement agreement provides that the drilling requirements shall be governed by Chapter 20680, Laws of Florida, Acts of 1941, and that all other drilling requirements are waived. Under the 1941 Act, a lessee is required to drill at least one test well on lands leased in each five year period under the term of the lease. Coastal Petroleum believes it is current in fulfilling its drilling requirements. Drilling requirements of Lease 224-A have been satisfied through the five year obligation period ending August 2, 2004. The State of Florida has refused Coastal Petroleum the right to drill on Lease 248 since August 10, 1986. Drilling requirements of Lease 224-B have been satisfied through the five year obligation period ended October 31, 2000. The next obligation period expires on October 31, 2005.

The following charts reflect the acreage and annual rental obligations resulting from the 1976 settlement agreement with the Trustees and the approximate acreage under lease at March 31, 2002:

Acreage	Royalty	Annual
Working	Interest	Rental
Interest		

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224-A and 224-B	800,000	2,250,000	\$39,261
248	450,000	200,000	19,986
	-----	-----	-----
	1,250,000	2,450,000	\$59,247
	=====	=====	=====

	Acreage under lease at March 31, 2002			
	Gross Acres (*)Net Acres (**)			
	Undeveloped	Developed	Undeveloped	Developed
	-----	---	-----	---
Working Interest	1,250,000	-0-	1,250,000	-0-
Royalty interest	2,450,000	-0-	153,125	-0-
	-----	---	-----	---
Total	3,700,000	-0-	1,403,125	-0-
	=====	===	=====	===

\* A gross acre is an acre in which a working interest is owned.

\*\* A net acre is when the sum of fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions.

Competitive Conditions in the Business.

Competition in the oil and gas industry is intense. We must compete with companies which have substantially greater resources available to them. In addition, the industry as a whole must compete with other industries in supplying the energy needs of commerce and the general public. Furthermore, competitive conditions may be substantially affected by energy legislation which may be adopted in the future.

Environmental Regulation.

The operations of Coastal Caribbean and its right to obtain interests in and hold properties or to do business may be affected to an unpredictable extent by limitations imposed by the laws and regulations which are now in effect or which may be adopted by the jurisdictions in which the Coastal Petroleum carries on its business. Further measures that have been or might be imposed include increased bond requirements, conservation, proration, curtailment, cessation or other forms of limiting or controlling production of hydrocarbons or minerals, as well as price controls or rationing or other similar restrictions. In particular, environmental control and energy conservation laws and regulations adopted by federal, state and local authorities may have to be complied with by leaseholders such as Coastal Petroleum. It is not possible to predict the nature of any further legislation or regulation that might ultimately be adopted or its effects upon the future operations of Coastal Caribbean or Coastal Petroleum.

Employees

We currently have only two employees. We rely heavily on consultants for legal, accounting, geological and administrative services. We use consultants because it is more cost effective than employing a larger full time staff.

The following graphic presentation has been omitted, but the following is a description of the omitted material:

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Map showing Coastal Petroleum's Lease Areas in the State of Florida

### Disclosure Concerning Oil and Gas

#### Undeveloped Acreage

The Company's undeveloped acreage as of December 31, 2001 and March 31, 2002 was as follows:

	Gross Acres	Net Acres
	-----	-----
Working Interest	1,250,000	1,250,000
Royalty Interest	2,450,000	153,125
	-----	-----
Total	3,700,000	1,403,125
	=====	=====

#### Drilling Activity

There was no drilling activity on our properties during the year 2001 or during the three months ended March 31, 2002.

#### Royalties and Other Interests

In addition to royalties payable to the State of Florida as set forth above, Coastal Petroleum's leases are subject to several royalties and other interests. The leases are presently subject to overriding royalties aggregating 1/16 as to oil, gas and sulphur and 13/600ths as to minerals other than oil, gas and sulphur.

We also have granted to certain officers, directors, counsel and consultants of Coastal Petroleum and Coastal Caribbean the right to receive a percentage of the net recoveries from the Florida Litigation. See "Legal Proceedings" at page 24 and "Certain Business Relationships" at page 33.

#### Mineral Rights

Coastal Petroleum's Leases 224-A, 224-B and 248 were determined by a Florida State court in 1960 to cover not only oil, gas and sulphur, but also all other minerals. Subsequent litigation has held that these other minerals do not embrace certain deposits of shell accumulated on water bottoms which had not yet become mineral, and that Lake Hancock is not within the area covered by Lease 224-B. Under the 1976 settlement agreement with the State of Florida, Coastal Petroleum retains a 5% royalty with respect to mineral production. However, it cannot conduct mining operations in 450,000-acre Lake Okeechobee without the prior approval of the State of Florida. Although Coastal Petroleum had conducted limited mineral exploration activities on its leases, the courts during the 1980's limited its rights to mine minerals. Coastal Petroleum has no independent knowledge of commercial deposits on its leases. Furthermore, Coastal Petroleum does not anticipate that the State would allow the open pit mining and heavy industrial activity that would be necessary to remove any minerals if they were to be present, given the State's objection to a single bore hole for an

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exploratory oil and gas well.

### LEGAL PROCEEDINGS

#### Florida Litigation

Coastal Petroleum has been involved in various lawsuits for many years. Coastal Petroleum's current litigation now involves one basic claim: whether the State's offshore drilling policy and its denial of a permit constitute a taking of Coastal Petroleum's property. In addition, Coastal Caribbean is a party to another action in which Coastal Caribbean claims that certain of its royalty interests have been confiscated by the State.

#### Lease Taking Case (224-A)

On January 16, 2001, Coastal Petroleum filed a complaint in the Leon County Circuit Court, Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its state Lease 224-A. The lease encompasses more than 400,000 acres off the West coast of Florida in the Gulf of Mexico.

Coastal Petroleum claims that the State of Florida has taken Lease 224-A by denying Coastal Petroleum a permit to drill an offshore exploration well near St. George Island in the Gulf of Mexico. The history of the litigation between Coastal Petroleum and the State of Florida relating to the denial of the drilling permit is set forth under the caption "Drilling Permit Litigation." Coastal Petroleum maintains that the State has effectively taken Coastal Petroleum's lease by depriving Coastal Petroleum of all or substantially all of the economically viable use of its constitutionally protected property.

The State claims that there has been no taking of Coastal Petroleum's property which justifies compensation. The State asserts several affirmative defenses, including that:

(a) Coastal Petroleum is barred from litigating issues which it has litigated in prior cases against the State and other parties;

(b) Coastal Petroleum's leases are not constitutionally protected property which can be the subject of an inverse condemnation claim, relying in part on earlier litigation;

(c) Coastal Petroleum's claim that its property has been taken is not ripe for legal consideration because Coastal Petroleum has not applied to drill on other locations on its leaseholds;

(d) The statute of limitations bars any allegation by Coastal Petroleum that an action taken by any state entity prior to January 16, 1997 constitutes a taking of Coastal Petroleum's alleged property interest;

(e) Coastal Petroleum has no right to drill for oil on Lease 224-A which can be taken because it does not have the permit which it agreed to obtain pursuant to the 1976 Memorandum of Settlement.

On March 5, 2001, the State filed a Motion to Dismiss Coastal Petroleum's complaint, which was denied by the Court on April 26, 2001. After the Motion was denied, discovery, which had been suspended pending the outcome of the Motion to Dismiss, resumed. Some depositions have now been taken, documents have been exchanged and discovery is expected to continue until the court mandated cutoff date of August 25, 2002.

On November 27, 2001, the Leon County Circuit Court set a trial date of September 30, 2002. The Court has set aside two weeks for the trial on the issue

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of whether the State has taken Coastal Petroleum's lease. If the Court rules in Coastal Petroleum's favor, there will then be a second trial before a jury to determine the amount of compensation to be awarded. Both the decision of the Court and any decision of a jury are subject to appeals by any of the parties to the litigation.

A motion for summary judgment by the State of Florida in the lawsuit was denied by the Leon County Circuit Court trial judge on June 13, 2002.

### Ancillary Matters to Lease Taking Case (224-A)

On February 13, 2001, certain holders of royalties pertaining to Lease 224-A filed a Motion to Intervene as Additional Plaintiffs. On April 24, 2001, the Leon County Circuit trial judge granted certain royalty holders with overriding royalties, which aggregate approximately 4% on State Lease 224-A, the right to intervene on a limited basis in the takings lawsuit. On May 22, 2001, the royalty holders appealed the Circuit Court's order granting them limited intervention to the First District Court of Appeal, claiming the order denied them the right to fully participate in the case until after final judgment and that the court erroneously found that the royalty holders lack an ownership interest in Coastal Petroleum's lease. On June 12, 2001, the Court of Appeal ordered the royalty holders to show cause why the appeal should not be dismissed for lack of jurisdiction. The royalty holders filed a response to the Court of Appeal on June 21, 2001, Coastal Petroleum filed its reply on July 2, 2001 and the State of Florida filed its reply on July 5, 2001. The Court of Appeal is currently considering the matter.

Counsel for the appealing royalty holders has advised Coastal Petroleum that the royalty holders' position is that their interest is worth substantially more than 4% of whatever judgment may be awarded to Coastal Petroleum in the litigation and that they intend to make a claim against any recovery Coastal Petroleum may obtain in the litigation. Coastal Petroleum has informed the Circuit Court and counsel for the royalty holders that Coastal Petroleum is not making any claim in the litigation on behalf of any interest the royalty holders may have.

### No Assurances

There is no assurance that Coastal Petroleum will be successful on the merits of its claims, which the State of Florida is vigorously defending. There is also no assurance that Coastal Petroleum will receive a ruling that its Lease 224-A has been taken or that if compensation is awarded it will be awarded in the amount sought by Coastal Petroleum.

### Drilling Permit Litigation

In 1992, Coastal Petroleum applied to the Florida Department of Environmental Protection (the "DEP") for a permit to drill an exploratory oil and gas well off Apalachicola, Florida. The proposed well would be located in an area included within Lease 224-A. The DEP subsequently denied the application for issuance of a drilling permit for various reasons and imposed a \$1.9 billion bond. Coastal Petroleum appealed the actions of the DEP to the Florida First District Court of Appeal ("Court of Appeal"). After two decisions by the Court of Appeal in favor of Coastal Petroleum, the Florida Supreme Court in July 1996 denied the DEP's petition to review an April 1996 Court of Appeal decision. The Florida Supreme Court had also refused to review an earlier Court of Appeal decision.



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On August 16, 1996, the DEP notified Coastal Petroleum that it was prepared to issue the drilling permit subject to Coastal Petroleum publishing a Notice of Intent to Issue ("Notice") the permit. The Notice allowed interested parties to request administrative hearings on the permit.

On May 28, 1997, the Oil and Gas Drilling Bill (SB550) was enacted in Florida. The legislation requires that a surety be based on the projected cleanup costs and possible natural resource damage associated with offshore drilling as estimated by the DEP and as established by the Administration Commission (the "Commission") which is comprised of the Governor of Florida and the Cabinet. Previously, the required surety was satisfied by a payment of \$4,000 to the Mineral Trust Fund in the first year, with a maximum \$30,000 per year and a payment of \$1,500 per well for each subsequent year. On September 9, 1997, the State of Florida set a new surety amount of \$4.25 billion as a precondition for the issuance of the drilling permit.

On October 20, 1997, a public hearing on the permit application convened and concluded on November 6, 1997. The hearing included the Company's appeal of the \$4.25 billion surety requirement. On April 8, 1998, a Florida Administrative Law Judge recommended that Coastal Petroleum was entitled to a drilling permit with the requirement of a \$225 million surety. On May 13, 1998, the Commission rejected the \$225 million surety and remanded the proceedings to the Administrative Law Judge with instructions to recalculate the surety amount.

On May 22, 1998, the DEP denied the permit to Coastal Petroleum to drill an offshore exploration well near St. George's Island. Coastal Petroleum appealed both the denial of the permit by the DEP and the imposition of the surety to the Court of Appeal.

On October 6, 1999, the Court of Appeal ruled that the DEP has the authority to deny Coastal Petroleum's drilling permit for its St. George Island prospect, provided that Coastal Petroleum receives just compensation for what has been taken. The State of Florida and certain Florida environmental groups filed on November 1, 1999 a joint motion for clarification, rehearing, or certification with respect to that decision, asking the Court of Appeal, among other things, to clarify that the question of whether there has been a taking of Coastal Petroleum's leases should be determined in the Circuit Court. On June 26, 2000, the Court of Appeal denied all of the State's motions and stated that the issue of whether the denial of a permit constituted a "taking" was not before the Court. The Court declined to rule on the merits of the taking issue and stated that the issue was a matter for the Circuit Court. On January 16, 2001, Coastal Petroleum Company filed a complaint in the Leon County Circuit Court, Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its state Lease 224-A. That complaint is described above under the caption. Lease Taking Case (224-A).

### Other Permit Applications

On February 25, 1997 Coastal Petroleum filed 12 additional applications for drilling permits. Coastal Petroleum objected to certain requests for additional data by the Florida DEP. On March 26, 1999, an administrative law judge upheld the DEP's requirements. The First District Court of Appeal affirmed the decision of the administrative law judge on February 29, 2000.

In order to more fully permit the Apalachicola Reef Play, which includes the St. George Island prospect, on October 29, 1998, Coastal Petroleum filed four additional permit applications (1310-1313). The DEP also requested additional data for these applications. As of May 29, 2002, Coastal Petroleum has not yet submitted the requested data. Although these applications are still pending, Coastal Petroleum does not believe the DEP will ever grant these

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permits.

Lease Taking Case (224-B)

On May 21, 2002, Coastal Petroleum filed a complaint in the Leon County Circuit Court, Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its State Lease 224-B. The lease encompasses more than 400,000 acres off the West Coast of Florida in the Gulf of Mexico.

Coastal Caribbean Royalty Litigation

The offshore areas covered by Coastal Petroleum's original leases (prior to the 1976 Settlement Agreement) are subject to certain other royalty interests held by third parties, including Coastal Caribbean. On April 20, 1994, several of those third parties, including Coastal Caribbean, which has approximately a 12% interest in any recovery, have instituted a separate lawsuit against the State of Florida in the 5th Judicial Circuit in Fernando County. That lawsuit claims that the royalty holders' interests have been confiscated as a result of the State's actions discussed above and that they are entitled to compensation for that taking. The royalty holders were not parties to the 1976 Settlement Agreement, and the royalty holders contend that the terms of the Settlement Agreement do not protect the State from taking claims by those royalty holders. The case was subsequently transferred to the 2nd Judicial Circuit in Leon County and it is currently pending before the Circuit Court in Tallahassee. On December 2, 1999, the Circuit Court denied the State's motion to dismiss the plaintiffs' claim of inverse condemnation but dismissed several other claims.

On May 10, 2000, the State filed a motion for summary judgment but no hearing date has been set for the motion. Discovery is proceeding.

Any recovery made in the royalty holders' lawsuit would be shared among the various plaintiffs in that lawsuit, including Coastal Caribbean, but not Coastal Petroleum.

Counsel

The Tampa, Florida law firm of Gaylord Merlin Ludovici Diaz & Bain is Coastal Petroleum's principal trial counsel in Coastal Petroleum's inverse condemnation claim against the State of Florida in Florida Circuit Court. Mr. Cary Gaylord is the lead attorney for Gaylord Merlin. Mr. Gaylord, age 55, has extensive experience in eminent domain and property rights matters. He is a 1969 graduate of the United States Military Academy and a 1974 graduate of the University of Florida Law School.

In addition, Mr. Robert J. Angerer of Angerer & Angerer of Tallahassee, Florida is assisting Gaylord Merlin in the litigation. Mr. Angerer, age 55, is a 1969 graduate of the University of Michigan and received his law degree with high honors from Florida State University in 1974.

Statutory Attorneys' Fees

Chapter 73 of Florida law provides in eminent domain proceedings (which would include Coastal Petroleum's taking claim) that, in addition to the award made to the property owner, the court shall award attorneys' fees based on the difference between the final judgment or settlement and the first written offer made to the property owner by the State in accordance with the following schedule:

1. Thirty-three percent of any difference up to \$250,000; plus
2. Twenty-five percent of any portion of the difference between

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- \$250,000 and \$1 million; plus
3. Twenty percent of any portion of the difference exceeding \$1 million.

### Contingency Fees

In 1990, Coastal Petroleum considered that the following firms or individuals were important to the success of the litigation against the State of Florida and agreed to pay them an aggregate of 8.65% in contingent fees based on any net recovery from execution on or satisfaction of judgment or from settlement of the Florida litigation:

Holder	Relationship to Coastal Petroleum at Date of Grant	Net Recovery Percentage
Reasoner, Davis & Fox	Special Counsel	2.00
Robert J. Angerer	Litigation Counsel	1.50
Benjamin W. Heath	Chairman of the Board	1.25
Phillip W. Ware	President	1.25
Murtha Cullina LLP	Corporate Counsel	1.00
Ausley & McMullen, P.A. (*)	Special Counsel	.75
James R. Joyce	Assistant Treasurer	.30
Arthur B. O'Donnell	Vice President /Treasurer	.30
James J. Gaughran	Secretary	.30
		---
Total		8.65
		====

(\*) Interest was granted in 1996.

In addition, Coastal Petroleum has agreed to pay Gaylord Merlin a contingent fee equal to the greater of:

- (a) approximately 90% of the statutory award of attorneys' fees (discussed above), less the hourly fees paid to Gaylord Merlin,

or

- (b) ten percent of the first \$100 million or portion thereof of the compensation received by Coastal Petroleum from the State as compensation for the taking of its property, plus five percent of such compensation in excess of \$100 million, less the hourly fees paid to Gaylord Merlin and other costs of the litigation.

Each of the individuals and entities to whom contingent fees were granted were, at the time of grant, actively involved in the litigation. The contingencies were granted as an incentive to, and in consideration of, the continued involvement of those individuals and entities.

### Uncertainty

Coastal Petroleum or Coastal Caribbean may not prevail on any of the issues set forth above and may not recover compensation for any of their claims. In addition, even if Coastal Petroleum were to prevail on any or all of the issues to be decided, Coastal Caribbean or Coastal Petroleum may not have

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sufficient financial resources to survive until such decisions become final. In the unlikely event that the State of Florida were to grant a permit to drill any wells for which applications have been filed, the wells drilled may not be successful and may not lead to production of any oil or gas in commercial quantities.

### OUR MANAGEMENT

#### Our Directors and Executive Officers

Our board of directors includes six members, two of whom, Messrs. Heath and Ware, also serve as executive officers. The board is divided into three classes, with each class serving a term of office of three years.

Name	Position	Biographical Information
Class of 2002		
Benjamin W. Heath	Director President	Mr. Heath has been a director since 1962 as Chairman and a director of Coastal Petroleum since 1985. Mr. Heath is also a director of Canada Southern Petroleum since 1985. Age eighty-six.
Phillip W. Ware	Director Vice President	Mr. Ware, a geologist, has been President of Coastal Petroleum since 1985. Mr. Ware is also a director of our subsidiary, Coastal Petroleum Services, since 1985. Age fifty.
Class of 2003		
Graham B. Collis	Director Secretary Audit Committee	Mr. Collis, a director since 1998, has been a partner in the law firm of Conyers Dill & Pearman, Hamilton, Bermuda counsel since 1995. Age forty-one.
John D. Monroe	Director Audit Committee	Mr. Monroe is a real estate broker and was President of a real estate brokerage and a real estate developer in Naples, Florida. Mr. Monroe, a director since 1998, is also a director of our subsidiary, Coastal Petroleum Services. Age seventy-five.
Class of 2004		
Nicholas B. Dill	Director	Mr. Dill has been a consultant to the law firm of Conyers Dill & Pearman, Hamilton, Bermuda, our Bermuda counsel since 2000. Previous, Mr. Dill had been a partner in the law firm for many years. Mr. Dill, a director since 2000, is also a director of Worldwide Securities and Electric Light Co. Ltd., Bermuda Waterworks and Power Ltd. Age sixty-eight.
Timothy L. Largay	Director Vice President and Assistant Secretary	Timothy L. Largay has been a partner in the law firm of Murtha Cullina LLP, Hartford, Connecticut since 1998. Mr. Largay was elected a director and Vice President of the Company on January 15, 2001. Mr. Largay is also a director of Canada Southern Petroleum Ltd. and Magellan Petroleum Corporation. Mr. Largay was retained by the Company for more than five years.

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being retained during the current year.

Our other executive officer is the Chief Financial Officer. All of the officers of Coastal Caribbean are elected annually by the board and report directly to it.

James R. Joyce

Treasurer, Assistant  
Secretary and Chief  
Financial

Mr. Joyce has been our Treasurer, Assistant Chief Financial Officer since 1994. He is also an Officer Chief Financial Officer and a director of Magellan Petroleum Corporation. Mr. Joyce is also a director of G&O'D INC, a firm that provides accounting and administrative services, office facilities and other services to Coastal Caribbean and other clients.

Only Messrs. Heath and Ware received direct compensation for their services as officers of Coastal Caribbean or Coastal Petroleum. Mr. Heath and Mr. Ware devote approximately 50% and 100% respectively of their professional time to the business and affairs of Coastal Caribbean and Coastal Petroleum. The other non-executive officers devote a small percentage of their professional time as officers on behalf of the companies except for Mr. Joyce, who devoted approximately 27% of his time during the year 2001.

All of the named companies are engaged in oil, gas or mineral exploration and/or development except where noted. The business experience described for each director or executive officer above covers the past five years.

We are not aware of any arrangements or understandings between any of the individuals named above and any other person by which any of the individuals named above was selected as a director and/or executive officer. We are not aware of any family relationship among the officers and directors of Coastal Caribbean or its subsidiary.

### Committees of Our Board of Directors

#### Board of Directors; Committees; Attendance

The only standing committee of the Board is the Audit Committee which is comprised of Mr. Graham B. Collis and Mr. John D. Monroe. The Audit Committee is governed by an Audit Committee Charter which requires the committee to perform the following functions:

- (1) to recommend the particular persons or firm to be employed by Coastal Caribbean as its independent auditors;
- (2) to consult with the persons or firm so chosen to be the independent auditors with regard to the plan of audit;
- (3) to review, in consultation with the independent auditors, their report of audit, or proposed report of audit, and the accompanying management letter, if any; and
- (4) to consult with the independent auditors (periodically, as appropriate, out of the presence of management) with regard to the adequacy of internal controls.

The full Board of Directors performs the functions that would be performed by the nominating and compensation committees. A stock option committee is appointed periodically.

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### Compensation Committee Interlocks and Insider Participation

The Board of Directors of Coastal Petroleum consists of three persons, Mr. Heath, Mr. Ware and Mr. Monroe. The entire Coastal Petroleum Board of Directors performs the functions that would be performed by a compensation committee. Benjamin W. Heath is President and a director of Coastal Caribbean. He is also Chairman and a director of Coastal Petroleum and is compensated only by Coastal Petroleum. Phillip W. Ware is Vice President and a director of Coastal Caribbean. He is also President and a director of Coastal Petroleum and is compensated only by Coastal Petroleum.

### Compensation of Directors

All of our directors except for directors who are also executive officers receive annual directors' fees in the amount of \$22,500. For the year 2001, Messrs. Collis, Dill, and Monroe each received directors' fees of \$22,500 and Mr. Largay received \$21,263 in fees. Effective February 20, 2002, Messrs. Collis, Dill, Largay and Monroe will defer the payment of all of their directors' fees until our working capital is at least \$1 million.

### Executive Compensation

The following table sets forth certain summary information concerning the compensation of our two executive officers. No other executive officer earned compensation in excess of \$100,000 during the year 2001.

Summary Compensation Table			
Annual Compensation Long Term			
Name and Principal Position	Year	Salary (\$)	Compensation Award Options/SARs (#)
Benjamin W. Heath, President and Chief Executive Officer	2001	40,000	-
	2000	40,000	100,000
	1999	40,000	-
Phillip W. Ware, Vice President	2001	92,000	-
	2000	92,000	100,000
	1999	92,000	-

(1) Reimbursement for office expenses \$12,075 in 2001, \$9,600 in 2000, and \$9,550 in 1999, and payments to a SEP-IRA pension plan \$6,000 in 2001, 2000 and 1999.

(2) Payment to SEP-IRA pension plan.

### Stock Options

The following table provides information about unexercised stock options held by the Named Executive Officers at December 31, 2001:

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Aggregated Option/SAR Exercises in 2001 and December 31, 2001 Option/SAR Values					
Name	Shares Acquired On Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs (#) at December 31, 2001		Value I Opt at De
			Exercisable	Unexercisable	Exercisab
Benjamin W. Heath	-0-	-0-	100,000	-	9,000
Benjamin W. Heath	-0-	-0-	45,000	-	-0-
Phillip W. Ware	-0-	-0-	100,000	-	9,000
Phillip W. Ware	-0-	-0-	72,000	-	-0-

Certain Business Relationships

G&O'D INC

During the year 2001, G&O'D INC charged us a total of \$135,573 for accounting and administrative services, office facilities and support staff which includes two full time and two part time persons. During the three months ended March 31, 2002, G&O'D billed us fees in the amount of \$60,128. Mr. James R. Joyce, the Company's Treasurer and Assistant Secretary, owns the firm of G&O'D whose fees are based on the time spent in performing services for us.

There is no written agreement between G&O'D and the Company. The Company believes that the arrangement with G&O'D is as favorable to the Company as could be obtained from an unaffiliated third party.

Royalty Interests

The State of Florida oil, gas and mineral leases held by Coastal Petroleum on approximately 3,700,000 acres of submerged lands along the Gulf Coast and certain inland lakes and rivers are subject to certain overriding royalties aggregating 1/16th as to oil, gas and sulphur, and 13/600ths as to minerals other than oil, gas and sulphur. Of the overriding royalties as to oil, gas and sulphur, a 1/90th overriding royalty, and of the overriding royalties on minerals other than oil, gas and sulphur, a 1/60th overriding royalty, is held by Johnson & Company, a Connecticut partnership which is used as a nominee by the members of the family of the late William F. Buckley. A trust, in which Mr. Heath has a 54.4% beneficial interest, has a beneficial interest in such royalty interest held by Johnson & Company. No payments have been made to Johnson & Company (or to the beneficial owners of such royalty interests) in more than forty years.

In 1990, Coastal Petroleum granted to our current officers the following percentages of any net recovery from execution on or satisfaction of judgment or from settlement of the lawsuit against the State of Florida as follows:

Name	Percent of Net Recovery	Coastal Petroleum Position
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Benjamin W. Heath	1.25	Chairman of Board
Phillip W. Ware	1.25	President
James R. Joyce	0.30	Treasurer

PRINCIPAL SHAREHOLDERS

Security Ownership of Certain Beneficial Owners

The following table provides information as to the number of shares of our stock owned beneficially at May 29, 2002 by each person who is known to be the beneficial owner of more than 5% of the outstanding shares of our common stock.

Name and Address of Beneficial Owner	Shares Held Directly	Amount and Nature of Beneficial Ownership Shares Subject to Option	Percent
-----	-----	-----	-----
Leon S. Gross 3900 Ford Road Philadelphia, PA 19131	4,499,688	-	10.
Lykes Minerals Corp. 111 East Madison Street P.O. Box 1690 Tampa, FL 33601	-	7,800,000*	15.

\* Lykes Minerals Corp. has purchased a total of 78 shares of Coastal Petroleum which are convertible into 7,800,000 of our shares.

\*\* Assumes all outstanding options held by Lykes Mineral Corp are exercised to acquire our shares.

Security Ownership of Management

The following table sets forth information as to the number of shares of the Company's common stock owned beneficially at May 29, 2002 by each director of the Company and by all directors and executive officers as a group:

Name of Individual or Group	Shares Held Directly or Indirectly	Amount and Nature of Beneficial Ownership Options	Percent of Class
-----	-----	-----	-----
Graham B. Collis	25,000 (1)	112,000	*
Nicholas B. Dill	(2) -	124,000	*
Benjamin W. Heath	20,000	145,000	*
John D. Monroe	400	136,000	*
Timothy L. Largay	49,200	100,000	*
Phillip W. Ware	3,791	172,000	*
Directors and executive officers as a group (a total of 7 persons)	111,579	925,000	2.3%

\* Less than 1%.

(1) Director of Lane Enterprises (Bermuda) Limited, a Bermuda company, which also owns 17,758 shares. (2) Director of Brackish Pond Company Limited, a Bermuda company, which owns 3,355 shares.



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### DESCRIPTION OF OUR COMMON STOCK

#### General

Our Memorandum of Association provides that we may issue up to 250,000,000 shares of common stock. We only have one class of stock. As of December 31, 2001 and March 31, 2002, we had approximately 9,000 shareholders of record with a total of 43,468,329 shares of common stock outstanding. Below is a brief description of our common stock and the rights of shareholders as determined under Bermuda law. Neither Bermuda law, nor our Memorandum of Association or Bye-laws impose any limitations on the rights of non-residents of Bermuda to vote and hold our shares of common stock. Set forth below is a summary of the principal terms of our Memorandum and Bye-laws governing our common stock.

#### Common Stock

**Dividend Rights.** The holders of common stock are entitled to receive dividends, if and when the Board of Directors declares them. Each share outstanding is entitled to share equally with every other share in every dividend distribution. Current Bermuda law does not restrict the remittance of dividends to Bermuda non-residents, and any dividends paid to U.S. shareholders would not be subject to a withholding tax. We have never declared or paid dividends on our common stock and do not anticipate declaring or paying any dividends in the foreseeable future. We plan to retain any future earnings to reduce our deficit accumulated during the development stage of \$36,549,000 at March 31, 2002 and to finance our operations.

**Classified Board of Directors.** Bye-Law 81 provides that the Board of Directors is divided into three classes. See "Our Management - Our Directors and Executive Officers" above.

**Liquidation Rights.** Subject to the rights of creditors, all rights to the assets of Coastal Caribbean available for distribution upon liquidation are vested in the holders of common stock and each share is entitled to participate equally with every other share in such liquidation.

**Pre-emptive Rights, Conversion Rights, Redemption Provisions, Sinking Fund and Further Assessments.** The holders of common stock have no pre-emptive rights. There are no conversion rights attached to the common stock and there are no provisions for sinking funds or redemption of shares. Under Bermuda law unless authorized by our Memorandum of Association or Bye-Laws, we may not repurchase our own common stock, and our Memorandum of Association and Bye-Laws do not permit us to redeem shares of common stock. The holders of outstanding common stock are not liable to any further calls or assessments by us on their shares.

**Shareholder Suits.** Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. However, the Bermuda courts ordinarily would be expected to follow English case law precedent, which would permit a shareholder to commence an action in our name to remedy a wrong done to us where the act complained of is alleged to be beyond our corporate power or is illegal or would result in the violation of our Memorandum of Association or Bye-Laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or where an act requires the approval of a greater percentage of shareholders than actually approved it. The winning party in such an action generally would be able to recover a portion of attorneys' fees incurred in connection with such action.

**Taxes.** Bermuda currently imposes no taxes on corporate income or

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capital gains realized outside of Bermuda, nor is there any withholding tax on any dividends that we might pay to you. Any amounts received by us from U. S. sources as dividends, interest, or other fixed or determinable annual or periodic gains, profits and income, will be subject to a 30% U. S. withholding tax. In addition, any dividends from Coastal Petroleum will not be eligible for the 100% dividends received deduction, which is allowable in the case of a U. S. parent corporation. U. S. residents or citizens holding shares are subject to federal estate and gift and local inheritance taxation. Any dividends received by U. S. resident or citizens will also be subject to federal, state and local income taxation. These rules are of general application only and reflect law in force as of the date of this prospectus. We encourage shareholders to seek professional advice for the current rules applicable to their particular circumstances.

Under current Bermuda law, we are not required to pay any income tax or capital gains tax. We have obtained from the Bermuda Minister of Finance an assurance under The Exempted Undertakings Tax Protection Act 1966 of Bermuda, to the effect that in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax shall not be applicable to us or to any of our operations, shares, debentures or other obligations until 2016. These assurances are subject to the condition that they are not interpreted so as to prevent the application of any tax or duty to such persons as are ordinarily resident in Bermuda or to prevent the application of any tax payable in accordance with the provisions of The Land Tax Act 1967 of Bermuda or otherwise payable in relation to any property we lease. We are required to pay annual Bermuda government fees.

Foreign Exchange Control Regulations. We have been designated as a non-resident for exchange control purposes by the Bermuda Monetary Authority whose permission for the issue of shares of common stock pursuant to this Offering has been obtained. This designation allows us to engage in transactions, or to pay dividends to non-residents of Bermuda who are holders of our shares, in currencies other than the Bermuda Dollar.

The transfer of shares between persons regarded as resident outside Bermuda for exchange control purposes and the issue of shares after the completion of this offering to or by such persons may take place without specific consent under the Exchange Control Act 1972. Issues and transfers of shares involving any person regarded as resident in Bermuda for exchange control purposes require specific prior approval under the Exchange Control Act 1972.

Non-Bermuda owners of our shares of common stock are not restricted in the exercise of the rights to hold or vote their shares. Because we have been designated as a non-resident for Bermuda exchange control purposes, there are no restrictions on our ability to transfer funds in and out of Bermuda or to pay dividends to U. S. residents who are holders of our common stock, other than in respect of local Bermuda currency.

Under Bermuda law, share certificates are only issued in the names of corporations or individuals. In the case of an applicant acting in a special capacity (for example as a trustee), certificates may, at the request of the applicant, record the capacity in which the applicant is acting, but we are not bound to investigate or incur any responsibility in respect of the proper administration of any such trust. We will take no notice of any trust applicable to any of our shares whether or not we have notice of the trust.

As an "exempted company", we are exempt from Bermuda laws which restrict the percentage of share capital that may be held by non-Bermudans, but as an exempted company we may not participate in certain business transactions including: (1) the acquisition or holding of land in Bermuda (except that

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required for their business and held by way of lease or tenancy for terms of not more than 50 years) without the express authorisation of the Bermuda legislature, (2) the taking of mortgages on land in Bermuda to secure an amount in excess of \$50,000 without the consent of the Minister of Finance, (3) the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government securities or (4) the carrying on of business of any kind in Bermuda, except in furtherance of their business carried on outside Bermuda.

We will be required to comply with the provisions of the Companies Act regulating the payment of dividends and making distributions from contributed surplus. Pursuant to the Companies Act, a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that: (1) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (2) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Voting Rights. All voting rights are vested in the holders of common stock, each share voting equally with every other share. Shareholders are not entitled to cumulative voting. The holders of 25% of the total number of shares entitled to be voted at the meeting, present in person or by proxy constitutes a quorum for the transaction of business. Bye-Law 1 provides that any matter to be voted upon at any meeting of shareholders must be approved, not only by a simple majority of the shares voted at such meeting, but also by a simple majority of the shareholders voting.

Bye-Law 1 provides in part that shareholder approval requires:

a resolution passed by both (i) simple majority of votes cast by such Members as, being entitled so to do, vote in person or, in the case of any Member being a corporation, by its duly authorized representative or, where proxies are allowed, by proxy and (ii) a simple majority in number of the Members present in person or in the case of any Member being a corporation by its duly authorized representative or where proxies are allowed, by proxy, at a general meeting of which not less than fourteen (14) clear days' Notice (save where a longer period is required by these Bye-laws) has been duly given PROVIDED THAT when shares are held by members of another company, firm, partnership, association or other body corporate or unincorporated and such persons act in concert, or when shares are held by or for a group of Members who act in concert, such persons shall be deemed to be one Member.

Bye-Law 163 requires that a resolution adopted by the holders of 75% or more of the outstanding common stock and adopted by not less than 75% of the shareholders is required to approve any business combination (defined as any "arrangement, reconstruction, amalgamation, takeover, or similar business combination") involving the Company and any other person.

### Limitation of Director Liability and Indemnification

Director liability. The Companies Act imposes two basic duties on each director and officer:

Duty of loyalty. A director or officer must act honestly and in good faith with a view to the best interests of the company. This means that in conflict of interest situations, a director must place the best interests of the company above his own personal interests. It also means that a director may not use his position as a director to make a

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personal profit from opportunities that rightfully belong to the company.

Duty of care. A director or officer must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Based on English case law precedent, this means that a director must act reasonably in accordance with the level of skill expected from a person of his knowledge and experience. A director must attend diligently to the company's affairs, but is permitted to do so on an intermittent rather than a continuous basis. A director may delegate management functions to suitably qualified persons, although he will not avoid his duty by delegation to others.

A Bermuda court is unlikely to interfere with decisions of directors unless one of these two duties is breached. The court must find that the directors acted in bad faith or that no reasonable board of directors could have come to the decision that was reached.

Director indemnification. We may under Bermuda law indemnify our directors and officers for any loss or liability that they may incur in their capacity as our directors and officers. The loss or liability may result from any law that finds them guilty of negligence, default, breach of duty or breach of trust. A director or officer may not be indemnified for his own fraud or dishonesty.

Legal expenses. We are required to pay all expenses, including attorney's fees, incurred by a director in defending any legal proceeding as they are incurred in advance of final disposition if the director agrees to repay those amounts if it is proved by clear and convincing evidence that the director's action or omission was undertaken with deliberate intent to cause injury to the company or with reckless disregard for our best interests and if the director reasonably cooperates with the corporation during the proceeding.

Bye-Laws. Our Bye-Laws provide for indemnification of our director and officers which is coextensive with that permitted under Bermuda law.

D&O Insurance. Coastal Caribbean has directors' and officers' liability insurance coverage in the amount of \$12,200,000 at an annual cost of \$208,000.

Transfer Agent and Registrar

Our transfer agent and registrar is American Stock Transfer and Trust Company, 59 Maiden Lane, New York, New York 10038. Telephone: 800-937-5449, or 718-921-8200. Website: <http://www.amstock.com>.

### Price Range of Our Common Stock

The principal market for our common stock is the Boston Stock Exchange under the symbol COCBF. Presently, our stock does not meet the Boston Stock Exchange's minimum maintenance requirement of total assets of \$1 million or its shareholder equity minimum requirement of \$500,000. Unless, we are able to remedy the maintenance deficiency, the Boston Exchange will delist us from trading on the Exchange. The Exchange has also advised us that if this offering raises sufficient funds to cause us to be in compliance with the Exchange's requirements, no suspension of trading or delisting will occur. Our common stock is also traded in the over-the-counter market on the "Electronic Bulletin Board" of the National Association of Securities Dealers, Inc. under the symbol



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Coastal Caribbean	100	62.50	41.07	39.29	30.2
Independent Oil & Gas	100	93.10	60.30	84.48	122.6
NASDAQ Market Index	100	122.32	172.52	304.29	191.2

TERMS OF THE OFFERING

Basic Subscription Privilege

We are offering for sale, to our shareholders only, a total of 10,867,082 shares of our common stock. For every four shares that you hold on the record date, June 17, 2002, you are guaranteed the right to purchase one share for a purchase price of \$.50 per share. If you purchase all of the shares that you are guaranteed the right to buy, you will also have the right to purchase additional shares which are contingent on the number of shares that are not purchased by the other shareholders.

The shares being offered for sale will first be allocated to satisfy the shareholders' guaranteed right to purchase shares. If there are unsold shares remaining after these allocations, then any unsold shares will be allocated in the manner described below among the shareholders who exercised their contingent right to purchase the unsold shares.

The subscription right is not transferable. The offering is not subject to a minimum number of subscriptions and shareholders need not purchase a minimum number of shares.

How the Over-Subscription Privilege Operates

Subject to the allocation rules described below, each subscription right also grants each shareholder an over-subscription privilege to purchase additional shares of common stock, to the extent available and subject to proration, that are not purchased by other shareholders pursuant to their basic subscription privileges. If you wish to exercise your over-subscription privilege, you should indicate the number of additional shares that you would like to purchase in the space provided on your subscription certificate. When you send in your subscription certificate, you must also send the full purchase price for the number of additional shares that you have requested to purchase (in addition to the payment due for shares purchased through your basic subscription privilege).

In the event that our shareholders do not subscribe for all of the 10,867,082 offered shares pursuant to their exercise of basic subscription privileges, then shareholders requesting additional shares pursuant to their over-subscription privileges will be allocated such additional shares on a pro-rata basis (subject to elimination of fractional shares), based on the ratio that the number of available shares bears to the total number of shares that are the subject of all shareholders over-subscription requests. For example, assume

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that our shareholders subscribe for a total of 12,000,000 shares, 8,000,000 shares of which are guaranteed. Under the terms of the offering 10,867,082 shares are being offered for sale, 8,000,000 shares would be issued to shareholders who purchased their guaranteed shares. The remaining 2,867,082 shares offered for sale (10,867,082 minus 8,000,000) would be available for the shareholders who exercised their contingent right to purchase shares on a pro rata basis. Each shareholder who exercised his contingent right would receive 71.677% (2,867,082 available divided by 4,000,000 contingent rights) of his contingent amount of available shares.

As soon as practicable after July 15, 2002, The American Stock Transfer & Trust Company, acting as our Subscription Agent, will determine the number of shares of common stock that you may purchase pursuant to the over-subscription privilege. You will receive certificates representing these shares as soon as practicable after July 15, 2002.

Subject to state securities laws and regulations, we have the discretion to delay allocation and distribution of any and all shares to shareholders who are affected by such regulations and elect to participate in the rights offering, including shares that we issue with respect to your basic or over-subscription privilege in order to comply with state securities laws. If you request and pay for more shares than are allocated to you, we will refund that overpayment, without interest.

### Subscription Cards and Termination Date

Subscription cards, which indicate the number of shares you will be guaranteed the right to purchase, will be issued in the name and address of the holders of common stock of record on June 17, 2002 and mailed to holders as soon as practicable after the record date. The offering will end at 4:30 P.M. New York City Time, on July 15, 2002. The date and time when the offering expires is herein referred to as the "expiration date."

The American Stock Transfer & Trust Company, our subscription agent, will hold all subscriptions received prior to the expiration date. Prior to the formal acceptance of the subscriptions, American Stock Transfer will hold all payments. Subscriptions may be revoked by delivery of written notice of revocation to us prior to the expiration date. Subscriptions will be accepted, if at all, promptly after the expiration date by our delivery of written confirmation of acceptance to American Stock Transfer authorizing the issuance of the shares and the payment of any refunds, without interest, to the extent that the offering is oversubscribed. We reserve the right to reject any subscription, absent proof in writing from you that all terms of the offering have been complied with on a timely basis. We will notify the subscriber promptly of any rejection.

You may not purchase fractional shares, and only whole shares will be issued. The purchase price will be \$.50 per share for each share and the right to purchase shares is nontransferable.

### Determination of Subscription Price; No Board Recommendation

In establishing the offering price, our directors considered recent market prices for our stock. The purchase price has been set by the directors at a discount to the current market price and is intended, therefore, by the directors to be attractive to our shareholders. The purchase price does not reflect our assessment of the actual value of our assets. Our Board of Directors is not making any recommendation as to whether you should exercise your subscription rights. You should make your decision based on your own assessment of your best interests after reading this prospectus. All interpretations of matters relating to the offering will be made by our management and will be final.

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### How to Purchase Shares

After the date of this prospectus, June 17, 2002, shares may be purchased by delivering the subscription card, along with a signed subscription agreement, together with full payment of the purchase price for both the shareholder's guaranteed and contingent amounts. Payment of the purchase price must be made by check, bank draft or money order payable to the order of "American Stock Transfer - AS SUBSCRIPTION AGENT". Any subscriptions satisfying these conditions will be accepted; however, subscriptions received after the expiration date will not be honored and we will not be responsible for subscriptions not delivered by that time. You are advised to choose a reliable method (e.g., such as overnight courier service) for the delivery of your subscriptions to American Stock Transfer.

You may also subscribe by delivering to American Stock Transfer before the expiration date each of the following:

- o the full purchase price, together with a signature guarantee in writing or by facsimile from a bank or trust company or a member firm of any U.S. registered stock exchange that a subscription card with respect to shares subscribed for has been or will be promptly delivered to American Stock Transfer within three business days, and
- o information setting forth the name of the subscriber and the serial number of the subscription card. Subscriptions satisfying these conditions will be accepted subject to prompt receipt by American Stock Transfer of the duly executed subscription card within three business days.

### Registration of the Shares You Purchase

We have made application for the registration of the common stock being offered under the applicable securities laws of each of the United States which do not provide an exemption. In the event that the offering is not permitted under the law of any state or states, or in the event that qualification of the securities in any state or states would prove to be impracticable in the judgment of management, we will not issue subscription cards to shareholders in those states.

### MATERIAL TAX CONSEQUENCES

#### Tax Consequences of the Offering

Your receipt of your subscription rights will have certain federal income tax consequences. This discussion is not intended to serve as tax advice to you, and we encourage you to consult your personal tax advisor for advice relating to your personal tax situation.

The mere receipt of the subscription rights will not result in the recognition of taxable income. While you will not have to report taxable income upon the receipt of your subscription rights, you may have to allocate a portion of the adjusted basis of your original shares to any shares that you purchase in the offering.

If you do not exercise your subscription rights, you will not be allowed to claim a loss, and no adjustment will be made to the tax basis of your shares. If the subscription rights are exercised, you may be required to allocate a portion of the basis of your original shares to the shares that you purchase in the offering, depending on whether the fair market value of the rights equals or exceeds 15% of the fair market value of your original shares on



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the date of distribution of your rights.

If you exercise your subscription rights and the fair market value of your subscription rights on the date of distribution is 15% or more of the fair market value of the shares you own on that date, you must allocate to the purchased shares that part of the basis of your original shares that is attributable to each subscription right that you exercise. The basis of your original shares that is allocated to your subscription rights will equal your basis in your original shares multiplied by a fraction the numerator of which is the fair market value of your subscription rights and the denominator of which is the total of the fair market value of your original shares and the fair market value of your subscription rights. The basis of your original shares that is allocated to each subscription right that you exercise will equal the basis of your original shares that is allocated to your subscription rights divided by the total number of subscription rights issued to you. Accordingly, the tax basis of each share that you purchase will equal the basis of your original shares that is allocated to each subscription right that you exercise plus the purchase price of each purchased share. The holding period for a share acquired by exercise of a subscription right will begin from the date the subscription right is exercised. The basis of your original shares will be correspondingly reduced by the portion of the basis in your original shares that is allocated to the purchased shares.

If you exercise your subscription rights and the fair market value of the subscription rights on the date of distribution is less than 15% of the fair market value of the shares you own on that date, you may elect to allocate a portion of your current tax basis to the shares that you purchase as discussed above. If you do not elect to allocate your tax basis, then your tax basis in the purchased shares will be your purchase price of the offered stock.

### Passive Foreign Investment Company Rules

The Internal Revenue Code of 1986, as amended, provides special rules for distributions received by U.S. holders on stock of a passive foreign investment company (PFIC), as well as amounts received from the sale or other disposition of PFIC stock.

Under the PFIC rules, a non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is passive income or (2) at least 50 percent of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents, and gains from commodities and securities transactions. Special rules apply in cases where a foreign corporation owns directly or indirectly at least a 25 percent interest in a subsidiary, measured by value. In this case, the foreign corporation is treated as holding its proportionate share of the assets of the subsidiary and receiving directly its proportionate share of the income of the subsidiary when determining whether it is a PFIC. Thus, Coastal Caribbean would be deemed to receive its pro rata share of the income and to hold its pro rata share of the assets, of Coastal Petroleum.

Based on certain estimates of its gross income and gross assets and the nature of its business, Coastal Caribbean would be classified as a PFIC for the years 1987 through 2001. Once an entity is considered a PFIC for a taxable year, it will be treated as such for all subsequent years with respect to owners holding the stock in a year that it was classified as a PFIC under the income or asset test described above. Whether the Company will be a PFIC under either of these tests in future years will be difficult to determine because the tests are applied annually. Based upon Coastal Caribbean's current passive income, it is

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likely that Coastal Caribbean will be classified as a PFIC in 2002.

If Coastal Caribbean is classified as a PFIC with respect to a U.S. holder any gain from the sale of, and certain distributions with respect to, shares of our common stock, would cause a U.S. holder to become liable for U.S. federal income tax under Code section 1291 (the interest charge regime). The tax is computed by allocating the amount of the gain on the sale or the amount of the distribution, as the case may be, to each day in the U.S. shareholder's holding period. To the extent that the amount is allocated to a year, other than the year of the disposition or distribution, in which the corporation was treated as a PFIC with respect to the U.S. holder, the income will be taxed as ordinary income at the highest rate in effect for that year, plus an interest charge. The interest charge would generally be calculated as if the distribution or gain had been recognized ratably over the U.S. holder's holding period (for PFIC purposes) for the shares. To the extent an amount is allocated to the year of the disposition or distribution, or to a year before the first year in which the corporation qualified as a PFIC, the amount so allocated is included as additional gross income for the year of the disposition or distribution. A U.S. holder also would be required to make an annual return on IRS Form 8621 that describes any distributions received with respect to our shares and any gain realized on the sale or other disposition of our shares.

As an alternative to taxation under the interest charge regime, a U.S. holder generally can elect, subject to certain limitations, to annually take into gross income the appreciation or depreciation in our common shares' value during the tax year (mark-to-market election). If a U.S. holder makes the mark-to-market election, the U.S. holder will not be subject to the above-described rule. Instead, if a U.S. holder makes the mark-to-market election, the U.S. holder recognizes each year an amount equal to the difference as of the close of the taxable year between the U.S. holder's fair market value of the common shares and the adjusted basis in the common shares. Losses would be allowed only to the extent of net gain previously included by the U.S. holder under the mark-to-market election for prior taxable years. Amounts included in or deducted from income under the mark-to-market election and actual gains and losses realized upon the sale or disposition of the common shares, subject to certain limitations, will be treated as ordinary gains or losses. If the mark-to-market election is made for a year other than the first year in the U.S. holder's holding period in which the corporation was a PFIC, the first year's mark-to-market inclusion, if any, is taxed as if it were a distribution subject to the interest charge regime discussed above.

Another alternative election which would allow a U.S. holder to elect to take its pro rata share of Coastal Caribbean's undistributed income into gross income as it is earned by Coastal Caribbean (QEF election) would only be available to a U.S. holder if Coastal Caribbean provided certain information to the shareholders of Coastal Caribbean. Coastal Caribbean has had no undistributed income for the years 1987 through 2001. If the QEF election is made in a year other than the first year of the U.S. holder's holding period in which the foreign corporation is a PFIC, both the QEF regime and interest charge regime can apply, unless a special election is made. Under this special election, the taxpayer is treated as if it disposed of its PFIC stock in a transaction subject to the interest charge rules to the extent gain is deemed to be recognized. Once this election is made, the holder will be subject only to the QEF regime.

### LEGAL MATTERS

Murtha Cullina LLP, Hartford, Connecticut, has passed upon legal matters relating to U. S. law in connection with this offering. Mr. Timothy L. Largay, a director and officer of the Company, is a partner of Murtha Cullina LLP. Mr. Largay owns shares of our common stock, has options to purchase shares of our common stock (See Security Ownership of Management) and Murtha Cullina

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has a contingency fee in the Florida Litigation (See Legal Proceedings).

All matters relating to Bermuda law affecting Coastal Caribbean and its common stock have been passed upon by the firm of Conyers Dill & Pearman, Hamilton, Bermuda, of which firm Mr. Collis, a director and Secretary of Coastal Caribbean, is a partner. Mr. Dill, a director, is a consultant to the firm of Conyers Dill & Pearman. Both Messrs. Dill and Collis own shares of our common stock and have options to purchase shares of our common stock (See Security Ownership of Management).

The firm of Angerer & Angerer, Tallahassee, Florida, has passed upon all matters relating to litigation in which Coastal Petroleum has been involved until December 31, 2000. Mr. Angerer has a contingency fee in the Florida Litigation (See Legal Proceedings).

The firm of Gaylord Merlin Ludovici Diaz & Bain, Tampa, Florida, has passed upon all matters relating to litigation filed in Florida Circuit Court pertaining to the taking case in which Coastal Petroleum has been involved since January 1, 2001. Gaylord Merlin Ludovici Diaz & Bain has a contingency fee in the Florida Litigation (See Legal Proceedings).

Murtha Cullina LLP may rely, insofar as Bermuda law is concerned, on the opinion of Bermuda counsel, and insofar as litigation is involved, on the opinions of Angerer & Angerer and Gaylord Merlin Ludovici Diaz & Bain.

### EXPERTS

The consolidated financial statements of Coastal Caribbean Oils & Minerals, Ltd. (a development stage company) at December 31, 2001 and 2000, for each of the three years in the period ended December 31, 2001 and for the period from January 31, 1953 (inception) to December 31, 2001 appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon, (which contains an explanatory paragraph describing conditions that raise substantial doubt about Coastal Caribbean's ability to continue as a going concern as described in Note 1 to the consolidated financial statements) appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

### WHERE YOU CAN FIND MORE INFORMATION

We are a public company and file annual, quarterly and special reports and other information with the SEC. You may read and copy any documents we file at the SEC's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain further information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can obtain copies of this material from the Public Reference Section of the SEC, Washington, D.C. 20549, at prescribed rates. Our reports, proxy and information statements and other information are also available to the public at the SEC's web site. The Internet address of that site is <http://www.sec.gov>.

Our common stock is listed on the Boston Stock Exchange and reports, proxy statements and other information can also be examined at that exchange.

This prospectus is only part of a registration statement on Form S-1 that we have filed with the SEC under the Securities Act and therefore omits certain information contained in the registration statement. We have also filed exhibits and schedules with the registration statement that are excluded from this prospectus, and you should refer to the applicable exhibit or schedule for a complete description of any statement referring to any contract or other

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document. You may inspect a copy of the registration statement, including the exhibits and schedules, without charge at the SEC's public reference room or through its web site.

### INDEX TO FINANCIAL STATEMENTS

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Report of Independent Auditors.

Consolidated balance sheets at March 31, 2002 (unaudited), December 31, 2001 and 2000.

Consolidated statements of operations for the three months ended March 31, 2002 and 2001 (unaudited) and for each of the three years in the period ended December 31, 2001 and for the period from January 31, 1953 (inception) to December 31, 2001 and March 31, 2002 (unaudited).

Consolidated statements of cash flows for the three months ended March 31, 2002 and 2001 (unaudited) and for each of the three years in the period ended December 31, 2001 and for the period from January 31, 1953 (inception) to December 31, 2001 and March 31, 2002 (unaudited).

Consolidated statement of common stock and capital in excess of par value for the period from January 31, 1953 (inception) to December 31, 2001 and March 31, 2002 (unaudited).

Notes to consolidated financial statements.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Coastal Caribbean Oils & Minerals, Ltd.

We have audited the accompanying consolidated balance sheets of Coastal Caribbean Oils & Minerals, Ltd. (a development stage company) as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows, and common stock and capital in excess of par value for each of the three years in the period ended December 31, 2001 and for the period from January 31, 1953 (inception) to December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coastal Caribbean Oils & Minerals, Ltd. at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 and for the period from January 31, 1953 (inception) to December 31, 2001 in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Notes 1 and 4 to the consolidated financial statements, the Company has a limited amount of working capital, has incurred recurring losses and has a deficit accumulated during the development stage. In addition, the Company has been and continues to be involved in several legal proceedings against the State of Florida which has limited the Company's ability to commence development activities on its unproved oil or gas properties or obtain compensation for certain property rights it believes have been confiscated. These situations raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of these uncertainties.

As more fully described in Note 1, the Company restated certain amounts previously reported as of and for the year ended December 31, 2000 and for the period from January 31, 1953 (inception) to December 31, 2000.

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/s/ Ernst & Young LLP

Stamford, Connecticut  
March 8, 2002

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
(A Bermuda Corporation)  
A Development Stage Company

CONSOLIDATED BALANCE SHEETS  
(Expressed in U.S. dollars)

	March 31,	December 31,	
	2002	2001	2000
	----- (Unaudited)	-----	----- (Restated)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 271,475	\$ 609,024	\$ 2,958,674
Interest and accounts receivable	1,661	8,604	41,520
Notes receivable	15,000	15,000	--
Prepaid expenses	290,723	353,596	323,897
	-----	-----	-----
Total current assets	578,859	986,224	3,324,091
	-----	-----	-----
Unproved oil, gas and mineral properties (full cost method)	--	--	4,144,682
Contingent litigation claim (Note 4)	--	--	--
Deferred Financing Charges	236,273	90,391	--
Other assets	--	--	27,866
	-----	-----	-----
Total assets	\$ 815,132	\$ 1,076,615	\$ 7,496,639
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accrued liabilities	\$ 650,640	\$ 358,621	\$ 193,176
	-----	-----	-----
Minority interests	--	--	--
	-----	-----	-----
Shareholders' equity:			
Common stock, par value \$.12 per share:			
Authorized - 250,000,000 shares			

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Outstanding - 43,468,329 shares	5,216,199	5,216,199	5,216,199
Capital in excess of par value	31,497,362	31,497,362	31,497,362
	-----	-----	-----
	36,713,561	36,713,561	36,713,561
Deficit accumulated during the development stage	(36,549,070)	(35,995,567)	(29,410,098)
	-----	-----	-----
Total shareholders' equity	164,491	717,994	7,303,463
	-----	-----	-----
Total liabilities and shareholders' equity	\$ 815,132	\$ 1,076,615	\$ 7,496,639
	=====	=====	=====

See accompanying notes.

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
(A Bermuda Corporation)  
A Development Stage Company

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Expressed in U.S. Dollars)

	Three months ended		For the	Years ended December	
	March 31,		period from	to December	
	2002	2001	Jan. 31, 1953	2001	2000
	-----	-----	(inception)	-----	-----
	(Unaudited)	(Unaudited)	to March 31,		
			2002		
			(Unaudited)		
			(Restated)		
INTEREST AND OTHER INCOME	\$ 3,662	\$ 37,280	\$ 3,873,217	\$ 78,432	\$ 62,5
	-----	-----	-----	-----	-----
EXPENSES:					
Legal fees and costs	316,432	524,699	14,997,391	1,670,446	633,5
Administrative expenses	193,755	150,404	8,600,995	533,579	535,3
Salaries	37,950	37,950	3,410,378	151,800	151,8
Shareholder communications	9,028	15,248	3,894,523	105,863	107,8
Write off of unproved properties	--	--	5,501,247	4,201,733	
Exploration costs	--	480	188,218	480	19,5
Lawsuit judgements	--	--	1,941,916	--	
Minority interests	--	--	(632,974)	--	
Other	--	--	364,865	--	
Contractual services	--	--	2,155,728	--	

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	----- 557,165 -----	----- 728,781 -----	----- 40,422,287 -----	----- 6,663,901 -----	----- 1,448,0 -----
NET LOSS	\$ (553,503) =====	\$ (691,501) =====		\$ (6,585,469) =====	\$ (1,385,5 =====
Deficit accumulated during the development stage			\$ (36,549,070) =====		
Net loss per share based on average number of shares outstanding during the period:					
Basic and diluted EPS	\$ (.01) =====	\$ (.02) =====		\$ (.15) =====	\$ (.0 =====
Average number of Shares outstanding (basic and diluted)	43,468,329 =====	43,468,329 =====		43,468,329 =====	40,843,73 =====

See accompanying notes.

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
(A Bermuda Corporation)  
A Development Stage Company

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. dollars)

	Three months ended March 31,		period from Jan. 31, 1953 (inception) to March 31,	For the Years ended Dece	
	----- 2002 ----- (Unaudited)	----- 2001 ----- (Unaudited)	----- 2002 ----- (Unaudited) (Restated)	----- 2001 -----	----- 2000 -----
OPERATING ACTIVITIES:					
Net loss	\$ (553,503)	\$ (691,501)	\$ (36,549,070)	\$ (6,585,469)	\$ (1,385
Adjustments to reconcile net loss to net cash used in operating activities:					
Minority interest	--	--	(632,974)	--	--
Write off of unproved properties	--	--	5,501,247	4,201,733	--
Common stock issued for services	--	--	119,500	--	--



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Compensation recognized for stock option grant	--	--	75,000	--	75
Recoveries from previously writtenoff properties	--	--	252,173	--	
Net change in:					
Interest and accounts receivable	6,943	9,145	(1,661)	32,916	(15)
Prepaid expenses	62,873	33,826	(290,723)	(29,699)	28
Accrued liabilities	292,020	110,607	650,641	165,445	124
Deferred financing charges	(145,882)	--	(263,471)	(90,391)	
Other assets	--	(83)	27,198	27,866	
	-----	-----	-----	-----	-----
Net cash used in operating activities	(337,549)	(538,006)	(31,112,140)	(2,277,599)	(1,173)
	-----	-----	-----	-----	-----
INVESTING ACTIVITIES:					
Additions to oil, gas and mineral properties net of assets acquired for common stock and reimbursements	--	2,195	(3,621,688)	(57,051)	(48)
Proceeds from relinquishment of surface rights	--	--	246,733	--	
Marketable securities (net)	--	--	--	--	390
Notes receivable	--	--	(15,000)	(15,000)	
Purchase of fixed assets	--	--	(61,649)	--	
	-----	-----	-----	-----	-----
Net cash provided by (used in) investing activities	--	2,195	(3,451,604)	(72,051)	342
	-----	-----	-----	-----	-----
FINANCING ACTIVITIES:					
Sale of common stock net of expenses	--	--	29,480,970	--	3,13
Shares issued upon exercise of options	--	--	884,249	--	
Sale of shares by subsidiary	--	--	750,000	--	
Sale of subsidiary shares	--	--	3,720,000	--	
	-----	-----	-----	-----	-----
Net cash provided by financing activities	--	--	34,835,219	--	3,13
	-----	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(337,549)	(535,811)	271,475	(2,349,650)	2,30
Cash and cash equivalents at beginning of period	609,024	2,958,674	--	2,958,674	65
	-----	-----	-----	-----	-----
Cash and cash equivalents at end of period	\$ 271,475	\$2,422,863	\$ 271,475	\$ 609,024	\$ 2,95
	=====	=====	=====	=====	=====

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.  
 (A Bermuda Corporation)  
 A Development Stage Company

CONSOLIDATED STATEMENT OF COMMON STOCK  
 AND CAPITAL IN EXCESS OF PAR VALUE  
 (Expressed in U.S. dollars)

For the period from January 31, 1953 (inception) to December 31, 2001

	Number of Shares
	-----
Shares issued for net assets and unrecovered costs at inception	5,790,210
Shares issued upon sales of common stock	26,829,486
Shares issued upon exercise of stock options	510,000
Market value (\$2.375 per share) of shares issued in 1953 to acquire an investment	54,538
Shares issued in 1953 in exchange for 1/3rd of a 1/60th overriding royalty (sold in prior year) in nonproducing leases of Coastal Petroleum	84,210
Market value of shares issued for services rendered during the period 1954-1966	95,188
Net transfers to restate the par value of common stock outstanding in 1962 and 1970 to \$0.12 per share	--
Increase in Company's investment (equity) due to capital transactions of Coastal Petroleum in 1976	--
	-----
Balance at December 31, 1990	33,363,632
Sale of subsidiary shares	--
	-----
Balance at December 31, 1991	33,363,632
Sale of subsidiary shares	--
	-----
Balance at December 31, 1992	33,363,632
Sale of subsidiary shares	--
	-----
Balance at December 31, 1993	33,363,632
Sale of subsidiary shares	--
	-----
Balance at December 31, 1994	33,363,632

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Sale of subsidiary shares	--
	-----
Balance at December 31, 1995	33,363,632
Sale of common stock	6,672,726
Sale of subsidiary shares	--
Exercise of stock options	10,000
	-----
Balance at December 31, 1996	40,046,358
Sale of subsidiary shares	--
Exercise of stock options	10,000
	-----
Balance at December 31, 1997, 1998, 1999	40,056,358
Sale of common stock	3,411,971
Compensation recognized for stock option grant	--
	-----
Balance at December 31, 2000 and 2001	43,468,329
	=====

See accompanying notes.

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 2002 (UNAUDITED) AND DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of Coastal Caribbean Oils & Minerals, Ltd. (Coastal Caribbean) and its majority owned subsidiary, Coastal Petroleum Company (Coastal Petroleum), referred to collectively as the Company. The Company, which has been engaged in a single industry and segment, is considered to be a development stage company since its exploration for oil, gas and minerals has not yielded any significant revenue or reserves. During the year 2001, the Company concluded that the value of its leases has been taken and its property interests were impaired by the actions taken by the State of Florida and therefore, has recorded an impairment charge to reflect the write off of the costs of unproved oil, gas and minerals properties. See Note 4. Litigation. All intercompany transactions have been eliminated. Certain amounts reported in the annual financial statements have been reclassified to conform to March 31, 2002 presentation.

Unaudited Information

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The information as of March 31, 2002 and for the periods ended March 31, 2002 and March 31, 2001 is unaudited but includes all adjustments which the Company considers necessary for a fair statement of the results for those periods. All adjustments are of a normal recurring nature.

### Cash and cash equivalents

The Company considers all highly liquid short-term investments with maturities of three months or less at the date of acquisition to be cash equivalents. Cash and cash equivalents are carried at cost which approximates market value. The components of cash and cash equivalents are as follows:

	December 31,	
	2001	2000
Cash	\$ 111,682	\$ 159,834
Federal Home Loan Bank discount notes	497,342	2,798,840
	\$ 609,024	\$2,958,674
	=====	=====

### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The outcome of the litigation and the ability to develop the Company's oil and gas properties will have a significant effect on the Company's financial position and results of operations. Actual results could differ from those estimates.

### Unproved Oil, Gas and Mineral Properties

The Company follows the full cost method of accounting for its oil and gas properties. All costs associated with property acquisition, exploration and development activities whether successful or unsuccessful are

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 2002 (UNAUDITED) AND DECEMBER 31, 2001

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

capitalized. Since the Company's properties were undeveloped and nonproducing and the subject of litigation, capitalized costs were not being amortized.

The capitalized costs are subject to a ceiling test which basically limits such costs to the aggregate of the estimated present value discounted at a 10% rate of future net revenues from proved reserves, based on current economic and operating conditions, plus the lower of cost or fair market value of unproved properties.

The Company assesses whether its unproved properties are impaired on a periodic basis. This assessment is based upon work completed on the properties to date, the expiration date of its leases and technical data from the properties and adjacent areas. These properties are subject to extensive litigation with the State of Florida. During the year 2001, the Company concluded that the value of its leases has been taken and its property interests were impaired by the actions taken by the State of Florida and therefore, has recorded an impairment charge to reflect the write off of the costs of unproved oil, gas and minerals properties. See Note 4. Litigation. All future costs incurred in connection with the Company's Florida leases will be expensed as incurred. During 2001, the Company restated the deficit accumulated during the development stage to reflect a write off of certain costs accumulated at December 31, 1960 attributable to dry holes on abandoned leases as follows:

Deficit accumulated during the development stage	
Balance at December 31, 2000 as previously reported	\$28,747,058
Write off of unproved properties	663,040
	-----
Balance at December 31, 2000 as restated	\$29,410,098
	-----

#### Sale of Subsidiary Shares

All amounts realized from the sale of Coastal Petroleum shares have been credited to capital in excess of par value.

#### Loss Per Share

Loss per common share is based upon the weighted average number of common and common equivalent shares outstanding during the period. The Company's basic and diluted calculations of EPS are the same because the exercise of options is not assumed in calculating diluted EPS, as the result would be anti-dilutive (the Company has continuing losses).

#### Financial Instruments

The carrying value for cash and cash equivalents, accounts receivable, marketable securities and accounts payable approximates fair value based on anticipated cash flows and current market conditions.

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2002 (UNAUDITED) AND DECEMBER 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Going Concern

The Company has a limited amount of working capital, has incurred recurring losses and has a deficit accumulated during the development stage. Furthermore, as discussed in Note 4, on January 16, 2001, Coastal Petroleum Company filed a complaint in the Leon County Circuit Court in Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its Lease 224-A. On November 27, 2001, the Leon County Circuit Court set a trial date for two weeks beginning September 30, 2002 for Coastal Petroleum's lawsuit against the State of Florida. The cost of that litigation has been substantial and will require the Company to obtain additional capital. On January 10, 2002, the Company filed a registration statement for the sale of its common stock, which has not yet been declared effective by the Securities and Exchange Commission. The terms of the offering have not yet been determined. There can be no assurances that funds on hand or realized or realizable on the sales of the Company's shares described in Note 5 will be sufficient to allow the Company to survive until such litigation is concluded. The Company believes the funds on hand at March 31, 2002 are sufficient to pay the expenses associated with the proposed rights offering and to fund the Company's operations through the second quarter of 2002. In addition, an estimated minimum amount of \$500,000 would be necessary to fund the Company's operations through December 31, 2002. In the event that the offering of the Company's common stock is inadequate to fund the Company's capital needs, the Company intends to explore other possible funding sources, particularly the other shareholders of Coastal Petroleum. These situations raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of these uncertainties.

2. COASTAL PETROLEUM COMPANY - MINORITY INTERESTS

In 1992, Coastal Caribbean granted Lykes Minerals Corp. (Lykes), a wholly owned subsidiary of Lykes Bros. Inc., an option to acquire 78 shares of Coastal Petroleum at \$40,000 per share. Lykes exercised all of its options to purchase Coastal Petroleum shares at a total cost of \$3,120,000 and as of December 31, 2001 and 2000, held 26.7% of Coastal Petroleum.

The Lykes agreement provides that Lykes is entitled to exchange each Coastal Petroleum share for 100,000 Coastal Caribbean shares, subject to adjustment for dilution and other factors. If fully exercised, that entitlement would leave Lykes with about 15% of Coastal Caribbean's outstanding shares. Lykes also has the right to exchange Coastal Petroleum shares for overriding royalty interests in Coastal Petroleum's properties. If Lykes were to exchange its 26.7% interest in Coastal Petroleum for a royalty interest, its overriding

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royalty interest in Coastal Petroleum's working-interest acreage would be 3.3%.

As of December 31, 2001 and 2000, Coastal Petroleum shares were owned as follows:

	Shares	%
	-----	-----
Coastal Caribbean	173	59.3
Lykes	78	26.7
Others	41	14.0
	-----	-----
	292	100.0
	-----	-----

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
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2. COASTAL PETROLEUM COMPANY - MINORITY INTERESTS (CONT'D)

Coastal Caribbean has been making loans to Coastal Petroleum, its majority owned subsidiary, in order for Coastal Petroleum to continue the Florida Litigation and pay its operating expenses. At December 31, 2001, the amount of these loans totaled \$20,826,287 and the accumulated interest on the loans totaled \$5,758,768 for a total indebtedness of \$26,585,055. All such loans and interest have been eliminated in consolidation, as Coastal Caribbean is required to record 100% of the losses of Coastal Petroleum because the minority interests have been fully liquidated and have no further obligation to fund Coastal Petroleum.

3. UNPROVED OIL, GAS AND MINERAL PROPERTIES

Coastal Petroleum holds three unproved and nonproducing oil, gas and mineral leases granted by the Trustees of the Internal Improvement Fund of the State of Florida (Trustees). These leases cover submerged and unsubmerged lands, principally along the Florida Gulf Coast, and certain inland lakes and rivers throughout the State. The two leases bordering the Gulf Coast have been divided into three areas, each running the entire length of the coastline from Apalachicola Bay to the Naples area. Coastal Petroleum has certain royalty interests in the inner area, no interest in the middle area and a 100% working interest in the outside area.

Coastal Petroleum also has a 100% working interest in Lake Okeechobee,

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and a royalty interest in other areas. Coastal Petroleum has agreed not to conduct exploration, drilling, or mining operations on said lake, except with prior approval of the Trustees.

The three leases have a term of 40 years from January 6, 1976 and require the payment of annual lease rentals of totaling \$59,247; if oil, gas or minerals are being produced in economically sustainable quantities at January 6, 2016, these operations will be allowed to continue until they become uneconomic. The drilling requirements are governed by Chapter 20680, Laws of Florida, Acts of 1941. Under the 1941 Act, a lessee is required to drill at least one test well on lands leased in each five year period under the term of the lease. The Company believes that it is current in fulfilling its drilling requirements.

The working interest areas of the three leases are subject to royalties payable to the Trustees of 12-1/2% on oil and gas, \$.50 per long ton of sulfur and 10% on other minerals. The leases are subject to additional overriding royalties which aggregate 1/16th as to oil, gas and sulfur and 13/600th as to other minerals.

During the year 2001, the Company concluded that its property interests were impaired by the actions taken by the State of Florida and therefore, recorded an impairment charge in the amount of \$4,201,733 to reflect the write of the costs of unproved oil, gas and minerals properties. See Note 4. Litigation. Although these costs have been written off, the Company still has legal title to the leases and will continue to pay annual lease rentals on the leases. The following is a summary of the cost of unproved oil, gas and mineral properties at December 31, 2000 and 1999, accounted for under the full cost method, all of which are located in Florida:

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
 NOTES TO FINANCIAL STATEMENTS  
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3. UNPROVED OIL, GAS AND MINERAL PROPERTIES (CONT'D)

	2000
	-----
	(Restated)
Lease acquisition costs	\$ 877,797
Lease and royalty costs (principally legal fees)	585,348
Lease rentals	2,485,138
Other exploratory expenses	1,228,510
Salaries	457,708
	-----
	5,634,501
	-----



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Deduct:

Reimbursement for lease rentals and other expenses	1,243,085
Proceeds from relinquishment of surface rights	246,733
	-----
	1,489,819
	-----
 Total unproved oil, gas and mineral properties	 \$4,144,682
	=====

4. LITIGATION

Florida Litigation

Coastal Petroleum has been involved in various lawsuits for many years. Coastal Petroleum's current litigation (Florida Litigation) now involves one basic claim: whether the State's offshore drilling policy and its denial of a permit constitute a taking of Coastal Petroleum's property. In addition, Coastal Caribbean is a party to another action in which Coastal Caribbean claims that certain of its royalty interests have been confiscated by the State.

In 1990, the State of Florida enacted legislation that prohibits drilling or exploration for oil or gas on Florida's offshore acreage. Although the law does not apply to areas where Coastal Petroleum is entitled to conduct exploration, the State of Florida has effectively prevented any exploratory drilling by denying the Company's application for drilling permits. In addition, in those areas where Coastal Petroleum has only a royalty interest, the law also effectively prohibits production of oil and gas, rendering it impossible for Coastal Petroleum to collect royalties from those areas. During 1998, Coastal Petroleum exhausted its legal remedies in its efforts to obtain compensation for the drilling prohibition on its royalty interest acreage.

Lease Taking Case

On June 26, 2000, the First District Court of Appeal affirmed an earlier ruling that the Florida Department of Environmental Protection (DEP) could deny Coastal Petroleum a permit to drill an exploratory well about nine miles south of St. George Island in the Florida Panhandle. While the appeals court held that the DEP could take such action on the basis of a compelling public purpose in not allowing offshore oil and gas drilling in Florida, the court also found that the DEP's action would be unconstitutional "if just compensation is not paid for what is taken." The appeals court stated that whether the denial of the permit constituted a taking of Coastal Petroleum's property should be determined by the Circuit Court.

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### 4. LITIGATION (CONT'D)

On January 16, 2001, Coastal Petroleum filed a complaint in the Leon County Circuit Court in Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its Lease 224-A.

On February 13, 2001, certain holders of royalties pertaining to Lease 224-A filed a Motion to Intervene as Additional Plaintiffs. On April 24, 2001, the Leon County Circuit trial judge granted certain royalty holders with overriding royalties, which aggregate approximately 4% on State Lease 224-A, the right to intervene on a limited basis in the takings lawsuit. On May 22, 2001, the royalty holders appealed the Circuit Court's order granting them limited intervention to the First District Court of Appeal, claiming the order denied them the right to fully participate in the case until after final judgment and that the court erroneously found that the royalty holders lack an ownership interest in Coastal Petroleum's lease. On June 12, 2001, the Court of Appeal ordered the royalty holders to show cause why the appeal should not be dismissed for lack of jurisdiction. The royalty holders filed a response to the Court of Appeal on June 21, 2001, Coastal Petroleum filed its reply on July 2, 2001 and the State of Florida filed its reply on July 5, 2001. The Court of Appeal is currently considering the matter.

Counsel for the appealing royalty holders has advised Coastal Petroleum that the royalty holders' position is that their interest is worth substantially more than 4% of whatever judgment may be awarded to Coastal Petroleum in the litigation and that they intend to make a claim against any recovery Coastal Petroleum may obtain in the litigation. Coastal Petroleum has informed the Circuit Court and counsel for the royalty holders that Coastal Petroleum is not making any claim in the litigation on behalf of any interest the royalty holders may have.

On March 5, 2001, the State filed a Motion to Dismiss Coastal Petroleum's complaint, which was denied by the court on April 26, 2001. After the Motion was denied, discovery, which had been suspended pending the outcome of the Motion to Dismiss, resumed. Some depositions have now been taken, documents have been exchanged and discovery is expected to continue until the court ordered cutoff date of August 25, 2002.

On November 27, 2001, the Leon County Circuit Court set a trial date for two weeks beginning September 30, 2002 for Coastal Petroleum's lawsuit against the State of Florida. If the Court rules in Coastal Petroleum's favor, there will then be a second trial before a jury to determine the amount of compensation to be awarded. Both the decision of the Court and any decision of a jury are subject to appeals by any of the parties to the litigation.

A motion for summary judgment by the State of Florida in the taking lawsuit is scheduled to be heard by the Leon County Circuit Court trial judge on June 13, 2002.

#### Royalty Taking Case

The offshore areas covered by Coastal Petroleum's original leases (prior to the 1976 Settlement Agreement) are subject to certain other royalty

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interests held by third parties, including Coastal Caribbean. In 1994, several of those third parties, including Coastal Caribbean which has approximately a 12% interest in any recovery, have instituted a separate lawsuit against the State. That lawsuit claims that the royalty holders' interests have been confiscated as a result of the State's actions discussed above and that they are entitled to compensation for that taking. The royalty holders were not parties to the 1976 Settlement Agreement, and the

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
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#### 4. LITIGATION (CONT'D)

royalty holders contend that the terms of the Settlement Agreement do not protect the State from taking claims by those royalty holders.

The case is currently pending before the Circuit Court in Tallahassee. On December 2, 1999, the Circuit Court denied the State's motion to dismiss the plaintiffs' claim of inverse condemnation but dismissed several other claims.

On May 10, 2000, the State filed a motion for summary judgment but no hearing date has been set for the motion. Discovery is proceeding.

Any recovery made in the royalty holders' lawsuit would be shared among the various plaintiffs in that lawsuit, including Coastal Caribbean, but not Coastal Petroleum.

#### Counsel

The Tampa, Florida law firm of Gaylord Merlin Ludovici Diaz & Bain (Gaylord Merlin) is Coastal Petroleum's principal trial counsel in Coastal Petroleum's inverse condemnation claim against the State of Florida in Florida Circuit Court. Mr. Cary Gaylord is the lead attorney for Gaylord Merlin. In addition, the law firm of Angerer & Angerer of Tallahassee, Florida is assisting Gaylord Merlin in the litigation.

#### Statutory Attorneys' Fees

Chapter 73 of Florida law provides in eminent domain proceedings (which would include Coastal Petroleum's taking claim) that, in addition to the award made to the property owner, the court shall award attorneys' fees based on the difference between the final judgment or settlement and the first written offer made to the property owner by the State in accordance with the following schedule:

1. Thirty-three percent of any difference up to \$250,000; plus
2. Twenty-five percent of any portion of the difference between \$250,000 and \$1 million; plus

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3. Twenty percent of any portion of the difference exceeding \$1 million.

Contingency Fees

Coastal Petroleum has agreed to pay an aggregate of 8.65% in contingent fees based on any net recovery from execution on or satisfaction of judgment or from settlement of the Florida litigation to various law firms and current or former officers of the Company.

The following contingencies have been granted to related parties:

Holder -----	Relationship to Coastal Petroleum at Date of Grant -----	Net Reco Percent -----
Benjamin W. Heath	Chairman of the Board	1.2
Phillip W. Ware	President	1.2
Murtha Cullina LLP	Counsel	1.0
James R. Joyce	Assistant Treasurer	.3
Total		3.8 ===

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
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4. LITIGATION (CONT'D)

In addition, Coastal Petroleum has agreed to pay Gaylord Merlin a contingent fee equal to the greater of:

- (a) approximately 90% of the statutory award of attorneys' fees (discussed above), less the hourly fees paid to Gaylord Merlin, or
- (b) ten percent of the first \$100 million or portion thereof of the compensation received by Coastal Petroleum from the State as compensation for the taking of its property, plus five percent of such compensation in excess of \$100 million, less the hourly fees paid to Gaylord Merlin and other costs of the litigation.

Uncertainty

Coastal Petroleum or Coastal Caribbean may not prevail on any of the

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issues set forth above and may not recover compensation for any of their claims. In addition, even if Coastal Petroleum were to prevail on any or all of the issues to be decided, Coastal Caribbean or Coastal Petroleum may not have sufficient financial resources to survive until such decisions become final. In the event that the State of Florida were to grant a permit to drill any wells for which applications have been filed, the wells drilled may not be successful and lead to production of any oil or gas in commercial quantities.

### 5. COMMON STOCK

The Company's Bye-Law No. 1 provides that any matter to be voted upon must be approved not only by a majority of the shares voted at such meeting, but also by a majority in number of the shareholders present in person or by proxy and entitled to vote thereon.

The Company has been financing its operations primarily from sales of its common stock and sales of shares of Coastal Petroleum (See Note 2).

On October 23, 2000, the Company completed the sale of 3,411,971 shares of its common stock to its shareholders at \$1.00 per share. The net proceeds to the Company were \$3,138,765 after deducting the \$273,206 cost of the offering.

On January 10, 2002, the Company filed a registration statement for the sale of its common stock, which has not yet been declared effective by the Securities and Exchange Commission. The terms of the offering have not yet been determined. The proceeds of the offering, if any, will be used for general corporate purposes, including working capital and to continue the litigation against the State of Florida. The costs incurred in connection with the offering totaling \$90,391 at December 31, 2001 are included in deferred financing charges.

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
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### 5. COMMON STOCK (CONT'D)

The following represents shares issued upon sales of common stock:

Year -----	Number of Shares -----	Capital Stock -----	Capital of P -----
1953	300,000	\$ 30,000	\$
1954	53,000	5,300	
1955	67,000	6,700	
1956	77,100	7,710	
1957	95,400	9,540	
1958	180,884	18,088	

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1959	123,011	12,301	
1960	134,300	13,430	
1961	127,500	12,750	
1962	9,900	990	
1963	168,200	23,548	
1964	331,800	46,452	
1965	435,200	60,928	
1966	187,000	26,180	
1967	193,954	27,153	
1968	67,500	9,450	
1969	8,200	1,148	
1970	274,600	32,952	
1971	299,000	35,880	
1972	462,600	55,512	
1973	619,800	74,376	
1974	398,300	47,796	
1975	--	--	
1976	--	--	
1977	850,000	102,000	1,
1978	90,797	10,896	
1979	1,065,943	127,914	4,
1980	179,831	21,580	
1981	30,600	3,672	
1983	5,318,862	638,263	1,
1985	--	--	
1986	6,228,143	747,378	2,
1987	4,152,095	498,251	2,
1990	4,298,966	515,876	
1996	6,672,726	800,727	5,
2000	3,411,971	409,436	2,
	-----	-----	-----
	36,914,183	\$4,434,177	\$25,
	-----	-----	-----

The following represents shares issued upon exercise of stock options:

Year	Number of Shares	Capital Stock	Capital of P
-----	-----	-----	-----
1955	73,000	\$ 7,300	\$
1978	7,000	840	
1979	213,570	25,628	
1980	76,830	9,219	
1981	139,600	16,752	
1996	10,000	1,200	
1997	10,000	1,200	
	-----	-----	-----
	530,000	\$62,139	\$
	=====	=====	=====

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5. COMMON STOCK (CONT'D)

Coastal Caribbean has reserved 7,800,000 shares of its common stock which may be issued in exchange for Coastal Petroleum shares, as described in Note 2.

6. STOCK OPTION PLAN

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25) and related Interpretations in accounting for its stock options because the alternative fair value accounting provided under FASB Statement No. 123, "Accounting for Stock Based Compensation," requires use of option valuation models that were not developed for use in valuing stock options. Under APB No. 25, because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

During 1995, the Company adopted a Stock Option Plan covering 1,000,000 shares of the Company's common stock. On March 24, 2000, ten year options to purchase 700,000 shares of the Company's common stock were granted. A charge to legal expense in the amount of \$75,000 for the issuance of 100,000 options to legal counsel was recorded. The charge was calculated using a Black-Scholes option-pricing model with the same assumptions as discussed below. Options are normally immediately vested and exercisable. The following table summarizes stock option activity:

OPTIONS OUTSTANDING -----	NUMBER OF SHARES -----
Outstanding and exercisable at December 31, 1998	587,000
Expired	(60,000)
	-----
Outstanding and exercisable at December 31, 1999	527,000
Expired	(302,000)
Granted	700,000
	-----
Outstanding and exercisable at December 31, 2000 and 2001	925,000
	=====
AVAILABLE FOR GRANT AT DECEMBER 31, 2001	55,000
	=====

Summary of Options Outstanding at December 31, 2001

YEAR GRANTED -----	NUMBER OF SHARES -----	EXPIRATION DATE -----	EXERCISE P -----
-----------------------	---------------------------	--------------------------	---------------------

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Granted 1998	225,000	May 19, 2003	2.62
Granted 2000	700,000	Mar. 22, 2010	.9
	-----		
Total	925,000		
	=====		

Pro forma information regarding net income and earnings per share is required by FASB Statement No. 123, and has been determined as if the Company had accounted for its stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model.

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6. STOCK OPTION PLAN (CONT'D)

Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. The assumptions used in the valuation model for 2000 were: risk free interest rate - 6.66%, expected life - 10 years, expected volatility - .741 and expected dividend - 0.

Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For the purpose of pro forma disclosures, the estimated fair value of the stock options is expensed in the year of grant since the options are immediately exercisable. The Company's pro forma information follows:

	Amount -----	Per Share -----
Net loss as reported - December 31, 2000	\$(1,385,552)	\$ (.03)
Stock option expense	(450,000)	(.01)
	-----	----
Pro forma net loss - December 31, 2000	\$(1,835,552)	\$ (.04)
	=====	=====

7. INCOME TAXES



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Bermuda currently imposes no taxes on corporate income or capital gains outside of Bermuda. The Company's subsidiary, Coastal Petroleum, has U.S. net operating loss carry forwards for federal and state income tax purposes, which may be used to reduce its taxable income, if any, during future years which aggregated approximately \$13,218,000 at December 31, 2001 (\$12,133,000 at December 31, 2000) and expire in varying amounts from 2002 through 2021 as follows: \$2,931,000 in 2002, \$824,000 in 2003, \$647,000 in 2004, \$550,000 in 2005, \$418,000 in 2006, \$549,000 in 2007, \$480,000 in 2009, \$571,000 in 2010, \$955,000 in 2011, \$1,281,000 in 2012, \$757,000 in 2018, \$622,000 in 2019, \$749,000 in 2020 and \$1,884,000 in 2021. For financial reporting purposes, a valuation allowance has been recognized to offset the deferred tax assets relating to those carry forwards. Significant components of the Company's deferred tax assets were as follows:

	2001 ----	2000 ---- (Restated)
Net operating losses	\$ 4,974,000	\$ 4,720,000
Deferred intercompany interest deduction	2,167,000	1,453,000
Write off of unproved properties	1,831,000	250,000
	-----	-----
Total deferred tax assets	8,972,000	6,423,000
Valuation allowance	(8,972,000)	(6,423,000)
	-----	-----
Net deferred tax assets	\$           --	\$           --
	=====	=====

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COASTAL CARIBBEAN OILS & MINERALS, LTD.  
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8. RELATED PARTIES

G&O'D INC provides accounting and administrative services, office facilities and support staff to the Company. G&O'D INC is owned by Mr. James R. Joyce, Treasurer and Assistant Secretary. During 2001, 2000 and 1999, G&O'D billed fees of \$135,573, \$155,440 and \$144,495 respectively. The Company was billed \$105,000 in 2001, \$195,000 in 2000 and \$65,000 in 1999 by the law firm of Murtha Cullina LLP. Mr. Timothy L. Largay, a partner of the firm of Murtha Cullina LLP, is a director and Vice President of the Company. Notes receivable at December 31, 2001, represent a six month loan to an officer of the Company, payable on May 10, 2002 with interest at 4% per annum.

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### 9. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary (in thousands) except for per share amounts of the quarterly results of operations for the years ended December 31, 2001 and 2000:

2001	QTR 1 ----- (\$) ---	QTR 2 ----- (\$) ---	QTR 3 ----- (\$) ---	QTR 4 ----- (\$) ---
Total revenues	37	23	13	
Expenses	(729)	(623)	(499)	(4,81)
Net loss	(692)	(600)	(486)	(4,8
Per share (basic & diluted)	(0.02)	(0.01)	(0.01)	(.
Average number of shares outstanding	43,468	43,468	43,468	43,4
2000	QTR 1 ----- (\$) ---	QTR 2 ----- (\$) ---	QTR 3 ----- (\$) ---	QTR 4 ----- (\$) ---
Total revenues	10	10	4	
Expenses	(386)	(326)	(317)	(4
Net loss	(376)	(316)	(313)	(3
Per share (basic & diluted)	(0.01)	(0.01)	(--)	(.
Average number of shares outstanding	40,056	40,056	40,056	40,8

(\*) During the year 2001, the Company concluded that its property interests were impaired by the actions taken by the State of Florida and therefore, recorded an impairment charge in the amount of \$4,202 to reflect the write off of these costs.

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Prospective investors may rely only on the information contained in this prospectus. Coastal Caribbean Oils & Minerals, Ltd., has not authorized anyone to provide any other information. This prospectus is not an offer to sell to - nor is it seeking an offer to buy these securities from - any person in any

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jurisdiction where the offer and sale is not permitted. The information here is accurate only as of the date of this prospectus, regardless of the time of the delivery of this prospectus or any sale of these securities.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in any such jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe the restrictions of that jurisdiction related to this offering and the distribution of this prospectus.

[COASTAL CARIBBEAN OILS & MINERALS, LTD. LOGO]

COASTAL CARIBBEAN OILS &  
MINERALS, LTD.

10,867,082 SHARES

COMMON STOCK

PROSPECTUS

June 17, 2002