

**Coastal Energy Company
(the "Company")**

**CORPORATE GOVERNANCE & NOMINATING COMMITTEE
(the "Committee")**

Terms of Reference

1. Constitution

The Committee was constituted at a full meeting of the board of directors (the "**Board**") held on 31 January 2007 in accordance with the Articles of Association of the Company. These Terms of Reference were also adopted by the Board on 31 January 2007.

2. Purpose

The purposes for which the Committee is established are to:

- 2.1 ensure that independent non-executive directors determine and review on behalf of the Board:
 - 2.1.1 the nomination and succession criteria for directors of the Company; and
 - 2.1.2 the corporate governance guidelines of the Company;
- 2.2 identify individuals qualified to become members of the Board, and recommend such for nomination to the Board; and
- 2.3 establish standards of evaluation for the Board and management of the Company.

3. Authority

- 3.1 The Committee is authorised by the Board to investigate and undertake any activity within these Terms of Reference. It is authorised to seek any information it requires from any employee or director of the Company or of any of its subsidiary companies, and all such employees or directors will be directed to co-operate with any request made by the Committee.
- 3.2 If the Committee considers it necessary so to do, it is authorised by the Board to obtain external legal and other independent professional advice to assist it in the performance of its duties, to secure the services of outsiders with relevant experience and expertise and to invite those persons to attend meetings of the Committee. The cost of obtaining any advice or services will be paid by the Company within the limits authorised by the Board. The chairman of the Board will be informed before any

external advice or service is sought and consulted regarding the Committee's proposals.

4. Composition

- 4.1 The members of the Committee shall be appointed by the Board. The Committee shall consist exclusively of independent non-executive directors of the Company (for this purpose an independent non-executive director is one who neither has involvement in the day to day running of the Company nor holds an executive appointment with another company on which one of the other directors is also an executive director of the Company).
- 4.2 The Committee shall be comprised of not less than three (3) members, who shall be appointed by the Board from time to time.
- 4.3 The chairman of the Committee shall be appointed by the Board.
- 4.4 The chairman and/or chief executive officer of the Company shall when appropriate be invited to attend meetings and to make proposals.
- 4.5 The Committee may invite other individuals such as other directors or external advisors to attend all or part of any meeting as and when appropriate.
- 4.6 Appointments to the Committee shall be for a period of up to three (3) years, which may be extended for two (2) further three-year periods, provided the members of the Committee remain independent non-executive directors.
- 4.7 The Company secretary shall be the secretary of the Committee.

5. Meetings and Voting

- 5.1 The Committee shall meet at least twice each year at the times and locations agreed by the members of the Committee. Any member of the Committee may at any time convene a meeting of the Committee by notice in writing to the other members.
- 5.2 The quorum necessary for the transaction of business shall be two (2). A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.3 Except as provided at paragraph 5.4, any director of the Company has the right to attend and speak but not vote at any meeting of the Committee.
- 5.4 No executive director of the Company may be present at a meeting of the Committee in which such executive director has a direct personal interest in the matter or matters being discussed.

- 5.5 Each member of the Committee has one vote on all matters to be determined by the Committee. In the event of a deadlock the chairman of the Committee has a casting vote.

6. Duties – Nomination and Succession

- 6.1 The Committee shall:
- 6.1.1 regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
 - 6.1.2 give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
 - 6.1.3 be responsible for identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise;
 - 6.1.4 before appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - (a) use open advertising or the services of external advisers to facilitate the search;
 - (b) consider candidates from a wide range of backgrounds; and
 - (c) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
 - 6.1.5 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
 - 6.1.6 keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
 - 6.1.7 review annually the time required from independent non-executive directors. Performance evaluation should be used to assess whether the independent non-executive directors are spending enough time to fulfil their duties; and
 - 6.1.8 ensure that on appointment to the Board, independent non-executive directors receive a formal letter of appointment setting

out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings.

- 6.2 The Committee shall also make recommendations to the Board concerning:
 - 6.2.1 formulating plans for succession for both executive and independent non-executive directors and in particular for the key roles of chairman and chief executive;
 - 6.2.2 suitable candidates for the role of senior independent non-executive director;
 - 6.2.3 membership of the audit and compensation committees, in consultation with the chairmen of those respective committees;
 - 6.2.4 the re-appointment of any independent non-executive director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
 - 6.2.5 the continuation (or not) in service of any director who has reached the age of 70;
 - 6.2.6 the re-election by shareholders of any director under the 'retirement by rotation' provisions in the Company's articles of association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
 - 6.2.7 any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company subject to the provisions of the law and their service contract; and
 - 6.2.8 the appointment of any director to executive or other office other than to the positions of chairman and chief executive, the recommendation for which would be considered at a meeting of the full Board.

7. Duties – Corporate Governance

- 7.1 The Committee shall:
 - 7.1.1 review at least annually the corporate governance issues relevant to the Company, the adequacy of the Company's corporate governance standards, and propose action on matters of corporate governance to the full Board;

- 7.1.2 review and consider shareholder proposals received by the Company and recommend to the full Board action to be taken regarding shareholder proposals;
- 7.1.3 oversee the periodic evaluation of the Board and its members; and
- 7.1.4 review and update periodically the standards of business conduct (the "**Standards**") and ensure that management has established a system to enforce the Standards.

8. Reporting and Notice and Minutes of Meeting

- 8.1 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than seven (7) days before the date of the meeting. Any supporting papers shall be sent to each attendees as appropriate, at the same time.
- 8.2 The chairman of the Committee shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities.
- 8.3 The secretary shall minute the proceedings and resolutions of all Committee meetings, including the name of those present and in attendance.
- 8.4 Minutes of the Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.
- 8.5 The Committee shall produce an annual report of its activities, which will form part of the Company's annual report and ensure each year that it is put to the shareholders for approval at the annual general meeting.

9. Other

- 9.1 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 9.2 The recommendations of the Committee minutes must be approved by the Board before they can be implemented.
- 9.3 These Terms of Reference may be amended or modified by the Board.