

STERLING RESOURCES LTD.

CORPORATE GOVERNANCE
AND COMPENSATION COMMITTEE

TERMS OF REFERENCE

Amended November 23, 2007

1. Constitution

Pursuant to the by-laws of Sterling Resources Ltd. (the “**Corporation**”) and in intended compliance with applicable corporate and securities laws and the requirements of the exchange(s) upon which securities of the Corporation are traded, there is hereby constituted, as a standing committee of the Board of Directors of the Corporation (the “**Board**”), a committee designated as the “Corporate Governance and Compensation Committee” (the “**Committee**”) which Committee is delegated the powers and subject to the terms of reference hereinafter set forth.

2. Mandate

The mandate of the Committee shall be to: (i) monitor the appropriateness of the Corporation’s, governance systems with regard to external governance standards, “best practices” guidelines and with an emphasis on ongoing improvements; (ii) review the makeup and needs of the Board and developing criteria for adding new directors to the Board; (iii) evaluating and assessing the effectiveness of the Board, its committees in meeting governance objectives and each individual’s own contribution; and (iv) developing appropriate compensation policies for the senior management and directors of the Corporation and its subsidiaries (collectively, “Sterling”), including Sterling’s stock option plan, and evaluating senior management.

3. Organization and Operation

- (1) The Committee shall be comprised of a minimum of three (3) members of the Board, one of whom should be the non-executive Chairman of the Corporation.
- (2) The Committee shall have the power to appoint its chairman, who must be a resident of Canada.
- (3) Any member of the Committee may call a meeting of the Committee upon not less than 48 hours’ notice to the other members of the Committee.
- (4) The Committee shall meet at least annually.
- (5) A quorum for meetings of the Committee shall be a majority of its members.
- (6) Questions arising at any meeting of the Committee shall be decided by a majority of the votes cast.
- (7) The rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing meetings of the Board or as otherwise provided in the by-laws of the Corporation.
- (8) Except as set forth herein, the Committee may determine its own rules of procedure.

4. Duties and Responsibilities

In the discharge of its mandate, the Committee shall:

Corporate Governance

- (1) develop Sterling's approach to corporate governance issues;
- (2) annually, review the mandate of the Board and the fulfilment of such mandate;
- (3) review and make recommendations in respect of reports prepared by management required or recommended on corporate governance (e.g. public reports to meet securities regulatory authorities' requirements);
- (4) receive and review management reports on corporate governance developments relevant to Sterling;
- (5) review shareholder proposals received by the Corporation and as required, assess the merits of such proposals and develop and recommend a response;
- (6) annually, review the frequency and timing of Board and committee meetings and the quality, timeliness and sufficiency of information provided to the Board by management;
- (7) at least annually, appraise the standards of corporate governance of the Corporation and the Corporation in comparison to the "best practices" of peer issuers and make recommendations with respect to the further development of the standards in such respect;
- (8) consider and, if deemed appropriate, approve any proposals by any one or more of the members of the Board to engage outside advisors on behalf of:
 - (i) the Board, as a whole;
 - (ii) any committee of the Board;
 - (iii) the independent directors as a group; or
 - (iv) any single director;
- (9) review and make recommendations as to the institution and maintenance of effective working relationships: between independent directors and management; for the full and effective communication of information to the Board and its committees; and for the effective operation of the Board independent of management;
- (10) as required, review concerns of individual directors about matters that are not readily or easily discussed at full Board meetings, thereby ensuring the Board can operate independently of management and effectively as a group;

Constitution of the Board and Nominations to the Board

- (11) annually, assess the size, structure and composition of the Board taking into consideration the current strengths, skills and experience on the Board, current time demands on directors, proposed retirements, and the requirements and strategic direction of Sterling, including what competencies and skills the Board, as a whole, should possess and make its recommendations to the Board;

- (12) as required, develop and approve director eligibility criteria;
- (13) as required, recommend suitable candidates to the Board for consideration as members of the Board;

Board Member and Chairman Director Evaluation

- (14) annually, in conjunction with the Chairman of the Board, assess individual director performance and the evaluation of the performance of the Board as a whole, including their processes and effectiveness;
- (15) annually, evaluate the performance of the Chairman of the Board;

Board Education

- (16) monitor changes to applicable laws, regulations, rules and industry practices in regard to corporate governance and ensure that the Board is kept informed of relevant aspects thereof;

Board Committee Mandates

- (17) annually, assess and make recommendations as to the size, structure and composition (including independence and other qualifications) of each of the committees of the Board including recommending changes to the addition or elimination of committees of the Board and as to the composition (including the chair) thereof;
- (18) annually, review and make recommendations as to the terms of reference of the committees of the Board;

Disclosure

- (19) periodically, review and make recommendations as to the adequacy, integrity and effectiveness of disclosure policies and procedures implemented by the Corporation and the Corporation to ensure timely and adequate disclosure in accordance with all applicable laws, regulations and rules;

Board and Officer Risk Management

- (20) periodically, review and make recommendations as to the adequacy and appropriateness of insurance and indemnifications for the benefit of directors and officers of Sterling;

Conflicts of Interest and Insider Trading

- (21) periodically, review and make recommendations as to policies and procedures implemented by Sterling in respect of conflict of interest, insider trading and corporate ethics;
- (22) consider, and if deemed appropriate approve any waiver of the Code of Business Conduct and Ethics;

Officer Compensation

- (23) review and recommend for approval annual compensation and benefit packages in respect of the senior officers of Sterling;
- (24) review and recommend for approval any and all bonuses to officers of Sterling;
- (25) review and recommend for approval any written employment agreements in respect of the senior officers of Sterling;

Stock Option Plan

- (26) review and recommend for approval the terms of the Corporation's Stock Option Plan and any amendments thereto;
- (27) review and recommend for approval the form of agreements in respect of the grant of any options;
- (28) review and recommend for approval any corporate performance measures (targets) used to calculate awards under any compensation plan;
- (29) review and recommend for approval annual awards under the Corporation's Stock Option Plan in the aggregate;

Compensation Audit

- (30) as required or desired, directly engage an independent compensation consultant, to assess the appropriateness and competitiveness, in the aggregate or as to any part, of Sterling's employee compensation programs, practices and arrangements (including, without limitation, any and all benefit plans);
- (31) in respect of senior officers of Sterling, review each senior officer's individual compensation arrangements;

Director Compensation

- (32) from time to time, review and make recommendations as to the adequacy and form of directors' compensation provided by the Corporation to ensure it reflects the responsibilities and risks of membership on the Board and participation on committees of the Board;

Performance Assessment

- (33) review annually with the Chief Executive Officer, the performance of the Chief Executive Officer;
- (34) review annually with the Chief Executive Officer, the performance of the other senior officers of Sterling;

Compensation Disclosure

- (35) review and recommend for approval disclosure provided in publicly circulated documents, including the Corporation's annual proxy circular, in respect of compensation of the officers of Sterling;

Human Resources

- (36) ensure Sterling has in place programs to train and develop its staff; and
- (37) ensure objectives are in place against which performance of the senior officers of Sterling can be measured and assessed and provide annual report to the Board.

Other Duties and Responsibilities

The responsibilities, practices and duties of the Committee outlined herein are not intended to be comprehensive. The Board may, from time to time, charge the Committee with the responsibility of reviewing other items of a corporate governance, disclosure, and compensation nature.

The Committee shall periodically report to the Board all decisions taken in exercising the powers conferred herein and the results of reviews undertaken and any associated recommendations.

5. Authority

The Committee shall have all power and authority necessary or desirable to fully and effectively discharge its mandate hereunder and, in that connection and without limitation, the Committee may:

- (1) investigate any corporate activity, in any area, that the Committee considers necessary or advisable, and, for such purposes and the performance of its other responsibilities, the Committee shall have unrestricted access to personnel and records of Sterling and advisors to Sterling;
- (2) make any recommendation to the Board, as it considers necessary or advisable, in respect of matters within its mandate, provided however that where the Committee intends to make any such recommendation, the recommendation shall first be presented to the Chairman of the Board before being communicated to the Board, unless the Committee concludes that such action would not be in the best interest of the Corporation and/or the shareholders of the Corporation; and
- (3) engage and obtain the advice of outside advisors if necessary to properly discharge its functions, duties and responsibilities, including search firms to identify candidates for Director, and to approve the terms of such retainers.

6. Limitation

The foregoing is (i) subject to and without limitation of the requirement that in exercising their powers and discharging their duties the members of the Board act honestly and in good faith with a view to the best interests of the Corporation; and (ii) subject to and not in expansion of the requirement that in exercising their powers and discharging their duties the members of the Board exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Dated for reference this 23rd day of November, 2007.