

**STERLING RESOURCES LTD.**

**MANDATE OF THE BOARD**

**Amended November 23, 2007**

## I. OVERALL PURPOSE / OBJECTIVES

The Board of Directors is responsible for the overall stewardship of the Company on behalf of all Shareholders. It operates by delegating certain of its authority and responsibilities to committees and management and reserving certain powers to itself. It will retain full effective control over the Company and will monitor senior management.

## II. COMPOSITION

The Board of Directors should be constituted of a majority of individuals who qualify as Independent Directors. The Company expects and requires directors to be and remain free of conflictual interests or relationships and to refrain from acting in ways which are actually or potentially harmful, conflictual or detrimental to the Company's best interests.

The Board of Directors is responsible for evaluating its size and determining the appropriate number of directors for the Board.

The membership of the Board of Directors will also include a sufficient number of individuals who are Financially Literate and who have Accounting or Related Financial Experience to ensure that the members of the Audit Committee fulfill the requirements of applicable regulation.

## III. MEETINGS

The Board of Directors will meet at least four times per year. It will ensure that it excludes management from its meetings, from time to time, as appropriate. The Board will implement structures and procedures to ensure that it functions independently of management. Minutes of all meetings of the Board shall be maintained.

## IV. INTERPRETATION

**“Accounting or Related Financial Experience”** means the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with the accounting principles adopted by the Company.

**“Financially Literate”** means able to read and understand the Company's balance sheet, an income statement and a cash-flow statement and the notes attached thereto.

**“Independent Director”** is a director who meets the definition of independence in the securities commission regulations on Audit Committees.

## V. RESPONSIBILITIES AND DUTIES

### Selection of Directors

- (1) The Board of Directors is responsible for approving new nominees to the Board.
- (2) The Board will annually consider the skills and competencies of the members of the Board from the perspective of determining what additional skills and competencies would be helpful to the Board. Its findings will be used to identify specific candidates.
- (3) The Board will ensure that prospective candidates for Board membership have received the appropriate information to permit them to fully understand the role of the Board and its committees and the contributions expected from individual directors.
- (4) The Board will annually review the assessment of the Board's performance and recommendations provided by the Governance and Compensation Committee and evaluate its own effectiveness, the whole in accordance with the Company's corporate governance policy. The Board will take appropriate action based upon the results of the review process.

### Committees

- (5) The Board shall appoint committees to assist it in performing its duties and processing the quantity of information it receives and will appoint an Audit Committee, a Reserves Committee, and a Governance and Compensation Committee.
- (6) The Board shall name members of committees after considering the recommendations of the Governance and Compensation Committee and the Chairman of the Board as well as the skills and desires of individual Board members, all in accordance with the mandates of such committees approved by the Board.
- (7) The Audit Committee will be composed only of Independent Directors. All members of the Audit Committee will be Financially Literate and at least one member will have Accounting or Related Financial Experience.
- (8) The Board will receive reports from each committee as to the work undertaken by the committee and, in each case, the committee's recommendations, if any, for change with respect to its

responsibilities. The Board will evaluate and approve, if appropriate, such recommendations. The Board will also receive minutes of all committee meetings.

- (9) The Board will annually evaluate the performance and review the work of its committees, including their respective mandates and the sufficiency of such mandates.
- (10) The Board may appoint a member of each of its committees to act as Chairman of the committee or delegate such appointment to the committee.

### **Senior Management**

- (11) The Board will oversee management through an ongoing review process.
- (12) The Board will appoint and determine the remuneration of the Chief Executive Officer and other senior executives of the Company on recommendation of the Governance and Compensation Committee.
- (13) The Board will, together with the Chief Executive Officer, and with the assistance of the Governance and Compensation Committee, develop a position description for the Chief Executive Officer. The Board will review and approve the objectives developed for the Chief Executive Officer and review the assessment of the Chief Executive Officer's performance in relation to such objectives.
- (14) The Board will annually receive and consider a report from its Governance and Compensation Committee on succession planning, including appointing, training and monitoring of senior management and the Chief Executive Officer.

### **General Responsibilities of the Board of Directors**

- (15) The Board will oversee the management of the Company. In doing so, the Board will establish a productive working relationship with the Chief Executive Officer and other members of senior management.
- (16) The Board will oversee the formulation of long-term strategic, financial and organizational goals for the Company.

- (17) As part of the responsibility of the Board to oversee management of the Company, the Board will engage in active monitoring of the Company and its affairs in its stewardship capacity.
- (18) The Board will, through its Audit Committee, review the integrity of the Company's internal control and management information systems.
- (19) The Board will engage in a review of short and long-term performance of the Company in accordance with approved plans.
- (20) The officers of the Company, headed by the Chief Executive Officer, shall be responsible for general day to day management of the Company and for making recommendations to the Board with respect to long term strategic, financial, organization and related objectives.
- (21) The Board will annually review the significant risks and opportunities affecting the Company and its businesses and the systems and controls in place to manage and monitor risks and opportunities. The Board may impose such limits as may be in the interests of the Company and its shareholders.
- (22) The Board will oversee an annual strategic planning process within the Company and will approve the Company's strategic plan. This plan will take into account the opportunity and risks of the Company's business. The Board will also, from time to time, approve annual business plans and multi-year business plans for the Company and its businesses.
- (23) The Board will approve material capital expenditures or material dispositions or other material financial commitments and will put in place a policy to specify spending authorizations.
- (24) The Board will adopt prudent financial standards with respect to the businesses of the Company and prudent levels of debt in relation to the Company's consolidated capitalization.
- (25) The Board will monitor compliance with the ethics policies or codes of the Company and will be responsible for granting any waivers from compliance with such policies or codes for directors and officers.
- (26) The Board will also consider and approve:
  - (i) transactions out of the ordinary course of business;

- (ii) special employment contracts, upon recommendation of the Governance and Compensation Committee;
  - (iii) all matters that would be expected to have a major impact on shareholders; and
  - (iv) the appointment of any person to any position that would qualify such person as an officer of the Company.
- (27) The Board will oversee how the Company communicates its goals and objectives to its shareholders and other relevant constituencies, including the approval of policies relating to: (i) how the Company interacts with analysts, investors, other key stakeholders and the public; and (ii) continuous disclosure obligations and selective disclosure. Such policies shall be reviewed annually.
- (28) The Board will review and approve the Company's annual audited financial statements and related management discussion and analysis disclosure following review by the Audit Committee. Interim financial statements and related disclosures shall be reviewed and approved by the Audit Committee. The Board will also review and approve the management proxy circular.
- (29) The Board will consider and review the means by which shareholders can communicate with the Company.
- (30) The Board has the responsibility for monitoring compliance by the Company with corporate governance guidelines adopted from time to time by the regulatory authorities. The Board will approve the disclosure of: (i) the Company's system of governance; and (ii) the operation of its system of governance prepared by the Governance and Compensation Committee.

#### **Remuneration of the Directors**

- (31) The Board of Directors will consider and approve the adequacy and form of the compensation of directors, upon recommendation of the Governance and Compensation Committee.

#### **General**

- (32) The Board will consider and approve such other matters as the Board may, from time to time, determine.