

**STERLING RESOURCES LTD.**

**RESERVES COMMITTEE MANDATE**

**SEPTEMBER 20, 2006**

## 1. Constitution

A standing committee of the Board of Directors of Sterling Resources Ltd. (the “**Corporation**”) consisting of members of the Board and complying with all other legislation, regulations, agreements, articles and policies to which the Corporation and its business are subject is hereby established and designated as the “Reserves Committee”.

## 2. Overall Purpose/Objectives

The Committee’s primary function is to assist the Board in fulfilling its oversight responsibilities generally and under National Instrument 51-101 (as amended or replaced from time to time) with respect to the oil and natural gas reserves evaluation process and public disclosure of reserves data and related information in connection with its oil and gas activities.

## 3. Authority

The Board authorizes the Reserves Committee, within its scope of duties and responsibilities, to:

- seek any information it requires from employees of the Corporation (which employees are directed to co-operate with any request made by the Reserves Committee);
- seek any information it requires directly from external parties, including the independent qualified reserves evaluator(s), and approve the terms of retainers and the fees payable to such parties; and
- obtain outside legal or other professional advice and determine the fees payable for such advice without seeking Board approval (however providing notice to the Chair of the Board).

## 4. Organization

The following provisions and regulations shall apply to the composition and conduct of the Reserves Committee:

- 4.1 The Reserves Committee will be comprised of three or more directors as determined by the Board;
- 4.2 Any members of the Reserves Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Reserves Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Reserves Committee by appointment from among its members. If and whenever a vacancy shall exist on the Reserves Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Reserves Committee shall hold such office until the close of the next annual meeting of shareholders following appointment as a member of the Reserves Committee;

- 4.3 All the members of the Committee shall be independent as defined in National Instrument 58-101 (as amended or replaced from time to time);
- 4.4 The Chair of the Reserves Committee shall be determined by the Board of the Corporation or by the members of the Reserves Committee by unanimous vote if the Chair is absent from the meeting, but in all cases such individual shall be independent within the meaning of National Instrument 58-101;
- 4.5 The quorum for meetings shall be majority of the members of the Reserves Committee, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other;
- 4.6 No business shall be transacted by the Reserves Committee except at a meeting of its members at which a quorum is present in person or by telephone or by a resolution in writing signed by all members of the Reserves Committee;
- 4.7 The meetings and proceedings of the Reserves Committee shall be otherwise governed by the provisions of the by-laws of the Corporation that regulate meetings and proceedings of the Board;
- 4.8 The Reserves Committee shall meet at least annually and at such other times and at such locations as the Chair of the Reserves Committee shall determine;
- 4.9 The Reserves Committee provides for a means of direct communication for the Board, with the independent qualified reserves evaluator(s). The independent qualified reserves evaluator(s) shall have a direct line of communication to the Reserves Committee through its Chair. The Reserves Committee, through its chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Reserves Committee any matter on a confidential basis involving the reserves evaluation process;
- 4.10 The Reserves Committee shall have access to such officers, directors and employees of the Corporation and to the Corporation's independent qualified reserves evaluator(s) and any other independent environmental evaluator(s), and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities;
- 4.11 The proceedings of all meetings will be minuted;
- 4.12 The Reserves Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings;
- 4.13 An "in camera" session of the Reserves Committee will be held;
- 4.14 The Chair shall establish the agenda for the meetings; and
- 4.15 A Reserves Committee member, or any other person selected by the Reserves Committee, shall be appointed at each meeting to act as Secretary for the purpose of recording the minutes of each meeting.

## 5. Duties and Responsibilities

The Board hereby delegates and authorizes the Reserves Committee to carry out the following duties and responsibilities to the extent that these activities are not carried out by the Board as a whole:

- 5.1 Review at least annually, the Corporation's procedures relating to disclosure of information with respect to the "oil and gas activities" (as defined in National Instrument 51-101) of the Corporation, including its procedures for complying with the disclosure requirements and restrictions of National Instrument 51-101, and in connection therewith shall consider the adequacy of such procedures and make appropriate reports and recommendations to the Board concerning such disclosure;
- 5.2 Review at least annually the qualifications and independence of the independent qualified reserves evaluator(s) to be appointed or re-appointed by the Board;
- 5.3 Review at least annually the Corporation's procedures for providing information to the independent qualified reserves evaluator(s) for the purposes of its report on reserves data of the Corporation under National Instrument 51-101, including any changes to the requests for information made by the evaluator(s);
- 5.4 Review and approve annually the expected fees of the independent qualified reserves evaluator(s);
- 5.5 Ensure there is a clear understanding with the independent qualified reserves evaluator(s) that the independent qualified reserves evaluator(s) must maintain an open and transparent relationship with the Reserves Committee, and that the ultimate accountability of the evaluator(s) is to the Reserves Committee;
- 5.6 Before approving the filing of reserves data of the Corporation and the report of the independent qualified reserves evaluator(s) thereon with the applicable regulatory authorities, meet with management and each of the independent qualified reserves evaluator(s) including a meeting with the evaluators "in camera" without management present to:
  - 5.6.1 determine whether any restrictions affect the ability of the independent qualified reserves evaluator(s) to report on reserves data of the Corporation without reservation; and
  - 5.6.2 review the reserves data and the report of the independent qualified reserves evaluator(s) thereon;
- 5.7 Review the contents and filing of (a) the Statement of Reserves Data and Other Information, (b) the Report of Independent Qualified Reserves Evaluator(s), and (c) the Report of Management and Directors as contemplated by National Instrument 51-101 and make a recommendation to the Board as to whether to approve the content and/or filing of the information referenced in (a), (b) and (c) above;

- 5.8 Review any public disclosure or regulatory filings with respect to any reserves evaluation and related oil and gas activities, including annual filings and material change reports, and if appropriate make recommendations to the Board as to their approval for the release or filing thereof; and
  - 5.9 Review of reserves aspects of proposed acquisitions and divestments.
- 6. Other Duties and Responsibilities**
- 6.1 The Board may, from time to time, charge the Reserves Committee with the responsibility of reviewing any other items relating to reserves, development or acquisitions and divestments; and
  - 6.2 The Reserves Committee shall periodically report to the Board the results of all reviews undertaken and any associated recommendations.

Dated for reference this 20 day of September, 2006.