

**STERLING RESOURCES LTD.**

**MANDATE OF THE BOARD**

**Amended November 5, 2014**

## **I. OVERALL PURPOSE / OBJECTIVES**

The Board is responsible for the overall stewardship of the Company on behalf of all Shareholders. In performing its functions, the Board will also consider the legitimate interests of other stakeholders in the Company such as employees, customers and communities.

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

The membership of the Board 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 NI 52-110.

The Chairman will be appointed by the Board after considering the recommendation of the Governance and Compensation Committee for such term as the Board may determine.

## **III. MEETINGS**

The Board will meet at least six times per year, with additional meetings to be held depending on the state of the Company's affairs and in light of opportunities or risks the Company faces. The Board will implement structures and procedures to ensure that it functions independently of management and will hold regularly scheduled meetings of the Independent Directors at which non-Independent Directors and members of management are not in attendance.

The Board is responsible for:

- (1) calling meetings of the Board at such time and place and providing notice of such meetings to all members of the Board in accordance with the by-laws of the Company;
- (2) ensuring that Board meetings are properly attended by all directors and that a majority of directors is present in order to transact any business;
- (3) ensuring that minutes of all meetings of the Board are maintained; and
- (4) ensuring that all decision making at Board meetings is made by a majority of votes, and in the event that decisions are made by written resolution, that such resolution is signed by all of the directors.

#### **IV. INTERPRETATION**

**“Accounting or Related Financial Experience”** means education and experience relevant to the performance of responsibilities as an audit committee member, including:

- (1) an understanding of the accounting principles used by the Company to prepare its financial statements;
- (2) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;
- (3) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company’s financial statements, or experience actively supervising one or more individuals engaged in such activities; and
- (4) an understanding of internal control and procedures for financial reporting.

**“Board”** means the board of directors of the Company.

**“Chair”** means the chairperson of the Board.

**“Company”** means Sterling Resources Ltd.

**“Financially Literate”** means able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

**“Independent Director”** is a director who meets the definition of independence in Section 1.4 of NI 52-110.

**“NI 52-110”** means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators.

## V. RESPONSIBILITIES AND DUTIES

### Selection of Directors

- (1) The Board is responsible for approving new nominees to the Board after considering the advice and input of the Governance and Compensation Committee.
- (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 will appoint committees of the Board 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 will 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 and the Governance and Compensation Committee will each be composed only of Independent Directors and all members of the Audit Committee will also meet the definition of independence in Section 1.5 of NI 52-110. 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 delegate responsibility for the day-to-day management of the Company's business and affairs to the senior management of the Company and 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 an

assessment of the Chief Executive Officer's performance conducted by the Governance and Compensation Committee in relation to such objectives.

- (14) The Board will, on an as-needed basis, receive and consider reports from its Governance and Compensation Committee on succession planning, training and monitoring of senior management and the Chief Executive Officer.

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

- (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 has the responsibility, to the extent feasible, to satisfy itself as to the integrity of the Chief Executive Officer and other corporate officers such that there is a culture of integrity throughout the organization.
- (17) The Board will oversee the formulation of long-term strategic, financial and organizational goals for the Company.
- (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, will 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 review and approve material transactions involving the Company, including the issuance of securities, material capital expenditures, 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 approve and monitor compliance with the significant policies and procedures of the Company, including the Company's Code of Business Conduct and Ethics, Whistleblower Policy and Insider Trading Policy. The Board will be responsible for granting any waivers from compliance with the Code of Business Conduct and Ethics for directors and officers, and confirm with management the appropriate disclosure of any such waiver.
- (26) The Board will also consider and approve:
  - (1) transactions out of the ordinary course of business;
  - (2) special employment contracts, upon recommendation of the Governance and Compensation Committee;
  - (3) all matters that would be expected to have a major impact on shareholders; and
  - (4) 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 will be reviewed annually.
- (28) The Board is responsible for approving the timely reporting of any developments that have a significant and material impact on the value of the Company.

- (29) The Board will consider and review the means by which shareholders can communicate with the Company.
- (30) The Board will review and approve the Company's annual audited financial statements, unaudited interim financial statements and related management discussion and analysis disclosure following review by the Audit Committee. The Board will also review and approve the management proxy circular.
- (31) The Board will, through its Reserves Committee, review the process undertaken with respect to the annual engineering evaluation of the oil and natural gas properties of the Company and review and will approve such annual engineering evaluation in accordance with the requirements of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.
- (32) The Board is responsible for monitoring the activities of management on behalf of the Company, to ensure that the operations of the Company are at all times in compliance with applicable laws and regulations.
- (33) The Board is responsible 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**

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

#### **General**

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