

**STAR DIAMOND CORPORATION**  
**BOARD OF DIRECTORS**  
**DUTIES & OBLIGATIONS**

**1. General Powers of the Board of Directors**

The Board of Directors has a duty to manage the business and affairs of the Company. Directors must comply with the Canada Business Corporations Act and the regulations thereunder and the articles and by-laws of the Company. The powers of the Board of Directors may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed by all directors entitled to vote on such resolution.

The principal responsibility of the Board of Directors is to promote the best interests of the Company and its shareholders. This responsibility includes: (i) approving fundamental operating, financial and other corporate plans, strategies and objectives; (ii) evaluating the performance of the Company and its senior management; (iii) selecting, regularly evaluating and fixing the compensation of executive officers; (iv) adopting policies of corporate governance and conduct, including compliance with applicable laws and regulations, financial and other controls; (v) reviewing the process of providing appropriate financial and operational information to the shareholders and the public generally; and (vi) evaluating the overall effectiveness of the Board of Directors.

**2. General Fiduciary Duties**

The Board of Directors must act with a view to the best interests of the Company and its shareholders generally. Every director of the Company in exercising their powers and discharging their duties must:

- (a) act honestly and in good faith with a view to the best interests of the Company; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary duties include, by way of example, the obligation to refrain from voting on contracts where personal financial or other interests conflict with those of the Company, using insider information in securities transactions and appropriating a corporate opportunity for personal benefit. Directors must act with such care as would reasonably be expected of a person having the knowledge and experience of the director in question.

Directors should have sufficient information to enable them to make knowledgeable decisions on all matters coming before the Board of Directors.

It is the responsibility of each director to ask such questions as may be necessary to satisfy that the director has been supplied with all the necessary information on which to base the director's decisions. Directors should be familiar with all aspects of the business and affairs of the Company and have a basic understanding of the principal operational and financial objectives, strategies and plans of the Company, the results of operations and the financial condition of the Company.

Directors are entitled to rely in good faith on: (i) financial statements of the Company that are represented to them by an officer of the Company or in a written report of the auditors of the Company as fairly reflecting the financial condition of the Company; or (ii) an opinion or report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by that person.

In order to fulfill the director's fiduciary duties to the Company and its shareholders, each director should: (i) prepare for (i.e. make all necessary investigations and reviews) and attend all meetings of the Board of Directors; (ii) be sufficiently informed about the current and proposed activities of the Company; (iii) review the minutes of any meeting not attended as well as any resolutions passed or actions taken; (iv) obtain advice from outside or independent advisors and consultants when necessary; (v) ensure that all Board meeting agendas include a review of the minutes of the previous meeting of the Board of Directors to ensure they accurately represent the discussions that took place and the resolutions that were passed; and (vi) be especially attentive to specific aspects of the Company's activities according to the director's own experience and occupation.

### **3. Conflicts of Interest**

A director who is a party to a material contract or proposed material contract with the Company, or who is a director or officer of or has a material interest in any person who is a party to a material contract or proposed material contract with the Company, must disclose in writing to the Company, or request to have entered in the minutes of meetings of directors, the nature and extent of the director's interest.

The disclosure required to be made by a director where there is a conflict of interest must be made at the meeting at which a proposed contract is first considered by the Board of Directors or, if the director had no interest in a proposed contract at the time of such meeting, at the first meeting of the Board of Directors after he acquires an interest. If the director acquires an interest after a contract is made, the director must disclose this interest at the first meeting of the Board of Directors after the director becomes so interested. If a person who has an interest in a contract later becomes a

director of the Company, the director must disclose this interest at the first meeting of the Board of Directors.

Where a proposed contract is dealt with by a written resolution signed by all directors in lieu of a meeting of the Board of Directors, the disclosure must be made immediately upon receipt of the resolution or, if the director had no interest at the time of receipt of the resolution, at the first meeting of the Board of Directors after the director acquires the interest.

A director who discloses a conflict of interest must refrain from taking part in any discussions or voting on any resolution to approve the contract, unless the contract is:

- (a) an arrangement by way of security for money loaned to or obligations undertaken by the director, or by a body corporate in which the director has an interest, for the benefit of the Company or an affiliate;
- (b) a contract relating primarily to the director's remuneration as a director, officer, employee or agent of the Company or an affiliate;
- (c) a contract for indemnity or insurance with respect to a director or officer of the Company, a former director or officer of the Company or a person who acts or acted at the Company's request as a director or officer of a body corporate of which the Company is or was a shareholder or creditor;  
or
- (d) a contract with an affiliate of the Company, provided however, that directors who serve on boards of affiliated corporations are not required to refrain from voting on contracts between the two corporations.

Any profits or gains realized by a director as a result of the director's privileged position on the Board of Directors must be reimbursed to the Company, except in the case of gains resulting from contracts with respect to which the director has complied with the obligation to disclose this interest and refrain from voting.

#### **4. Stewardship of the Corporation**

The Board of Directors is responsible for the stewardship of the Company and, as part of the overall stewardship responsibility, should assume responsibility for the following matters:

- (a) the adoption of a strategic planning process;

- (b) the identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;
- (c) succession planning, including appointing, training and monitoring senior management;
- (d) the implementation of a communications policy for the Company; and
- (e) monitoring the integrity of the Company's internal control and management information systems.

## **5. Corporate Opportunity**

A director is precluded from obtaining or diverting to another person or corporation with whom or with which the director is associated, either secretly or without the approval of the Company, any property or business advantage either belonging to the Company or for which it has been negotiating.

A director is also precluded from so acting even after the director's resignation where the resignation may fairly be said to have been prompted or influenced by a wish to acquire the opportunity sought by the Company, or where it was the director's position with the Company that led to the opportunity.

A director may not use his or her position as a director to make a profit even if it was not open to the Company to participate in the transaction.

## **6. Duty of Independence**

A director must act strictly in the best interests of the Company and its shareholders generally and not in the interest of any one shareholder or group of shareholders. In determining whether a particular transaction or course of action is in the best interests of the Company, a director, if elected or appointed by holders of a class or series of shares, may give special, but not exclusive, consideration to the interests of those who elected or appointed the director.

## **7. Duty of Confidentiality**

Directors of the Company have an obligation to maintain the confidentiality of matters discussed at meetings of the Board of Directors unless:

- (a) it was clearly understood at the Board meeting that the information was not required to be kept in confidence;

- (b) the director was required or authorized by law to disclose the information; or
- (c) the director was authorized expressly or implicitly by the Board of Directors to make disclosure of the information.

**8. Duty Not to Misuse Information or Position**

A director must not misuse his or her position or make improper use of information acquired by virtue of the director's position to gain, directly or indirectly, an advantage for themselves or any other person or to cause detriment to the Company. Directors are insiders of the Company and, as such, must not use information about the Company to trade in securities or to assist others to trade in securities of the Company before the information is available to the public.

**9. Insider reporting**

Directors are required to report any changes in their direct or indirect beneficial ownership of or control or direction over securities of the Company within 5 days of the change. The Company has established a procedure for assisting insiders with the reporting of insider trades. A copy of this procedure is attached hereto together with an election form whereby the insider is to elect to either file insider reports directly (through SEDI) or through a Company designated person.

**10. Communication to Shareholders**

The Board of Directors must ensure that the Company has in place a policy to enable the Company to communicate effectively with its shareholders and the public generally. Directors have a duty to ensure that the appropriate procedures are in place and being complied with so that accurate, appropriate and timely disclosure is being made to the Company's shareholders and to the public.

**11. Delegation of Authority to Officers and Committees**

The Board of Directors may delegate authority and functions to officers and to committees of directors. The Board of Directors has the right to appoint officers to perform such duties assigned to them by the Board of Directors. The persons holding such offices shall also have the powers assigned to them from time to time by the Chief Executive Officer of the Company.

Any member of a Committee may be removed or replaced at any time by the Board of Directors and shall cease to be a member of the Committee as soon as such member ceases to be a Director. The Board of Directors may fill

vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains.

The following matters are within the sole purview of the Board of Directors and may not be delegated by the Board to a committee of directors or to an officer of the Company:

- (a) the submission to the shareholders of any question or matter requiring the approval of the shareholders;
- (b) the filling of a vacancy among the directors or in the office of the auditor;
- (c) the issuance of securities, except in the manner and on the terms authorized by the directors;
- (d) the declaration of dividends;
- (e) the purchase, redemption or other acquisition of shares of the Company, except in the manner and on the terms authorized by the directors;
- (f) the payment of a commission to any person in consideration of: (i) purchasing or agreeing to purchase shares of the Company or from any other person; or (ii) procuring or agreeing to procure purchasers for shares of the Company;
- (g) the approval of a management proxy circular;
- (h) the approval of annual financial statements; or
- (i) the adoption, amendment or repealing of any by-laws of the Company.

## **12. Financial Statements**

The Board of Directors has a duty to approve the annual financial statements of the Company and to submit the financial statements of the Company, and the auditors' report thereon, for the preceding year to the shareholders of the Company.

A director is required to forthwith notify both the Audit Committee and the Company's auditors of any error or misstatement of which the director becomes aware in the audited financial statements of the Company. The Board of Directors has a duty to prepare and issue corrected financial statements on being informed of an error or misstatement by an auditor or former auditor and the duty to file these statements with or inform the appropriate securities commissions.

**13. Auditors**

On demand from the Company's auditors, each present and former director of the Company has a duty to furnish to the Company's auditors any information and explanations and allow access to any books, records, documents, accounts or vouchers of the Company or its subsidiaries that the director is reasonably able to furnish and which the Company's auditors consider necessary to enable them to report on the annual financial statements.

**14. Shareholder Meetings**

The Board of Directors is required to call the annual meeting of the shareholders and may, at any time, call a special meeting of shareholders. The Board of Directors has a duty to call a special meeting of the shareholders to approve any matter that requires the approval of shareholders by special resolution.

**15. Safety, Health and Environment (SHE)**

The Board of Directors will assume responsibility for developing the approach of the Corporation relating to matters of safety, health and environment. Specifically, the Board of Directors will be responsible for:

- (a) establishing and periodically reviewing safety, health and environmental policies to ensure compliance with "SHE" legislation;
- (b) overseeing the management of the implementation of systems necessary for compliance with all safety, health and environmental policies;
- (c) monitoring the effectiveness of the policies, systems and monitoring processes in place to manage the safety and health of employees, contractors, visitors and the general public and to manage environmental impacts;
- (d) reviewing regular updates from management on the safety, health and environmental performance of the corporation by receiving reports from management on:
  - (i) significant safety, health and environmental issues,
  - (ii) compliance with safety, health and environmental legislation and licenses;
  - (iii) monitoring significant event trends; and

- (iv) benchmarking of the policies, systems and monitoring processes of the corporation against industry best practices;
- (e) reviewing audit results and findings on safety, health and environmental audits, the action plans pursuant to the findings and the result of investigations into significant events, if any; and
- (f) conducting any actions to supervise management respecting all other matters relating to safety, health and environmental consistent with the policies, including, but not limited to engaging third party consultants, if necessary.