

## STONEHAM ADMINISTRATION INC.

### TERMS OF REFERENCE FOR A DIRECTOR

#### INTRODUCTION

The purpose of developing the Terms of Reference for a Director is to describe and communicate performance expectations clearly to the Directors, and thereby provide a benchmark in respect of Director performance. Although the terms of reference may seem somewhat self evident, they are an important and fundamental first step in developing an approach to individual Director assessment and evaluation.

#### GOALS AND OBJECTIVES

As a member of the Board of Directors (the "**Board**") of Stoneham Administration Inc. (the "**Company**"), as manager of Stoneham Drilling Trust (the "**Trust**"), each Director shall:

1. understand and fulfill the legal requirements and fiduciary and other obligations of a director with care, diligence and skill;
2. act honestly and in good faith in the governance of the Company and the Trust ensuring that the best interests of the Trust and the unitholders of the Trust are paramount; and
3. participate, as necessary, in the review and approval of corporate policies and strategies and in monitoring their implementation.

#### DUTIES AND RESPONSIBILITIES

##### **(A) Board Activity**

As a member of the Board, each Director shall:

1. exercise his or her judgment and act honestly and in good faith, with integrity;
2. use his or her abilities, experience and influence constructively;
3. be an available resource to the Chair of the Board, the Chief Executive Officer (the "**CEO**") of the Company, management of the Company and the Board;
4. respect the confidentiality of fellow Board members and of the Trust and any subsidiaries or affiliates of the Trust;
5. advise the Chair of the Board and CEO and, as necessary, the Corporate Secretary of the Company, in advance when intending to introduce significant and/or previously unknown information or material at a Board or committee meeting;
6. understand the difference between governing and managing as required by law and as set forth in the Board of Directors Charter and not encroach on management's mandates and

areas of responsibility (similarly, management shall understand and not encroach on the Board's mandates and areas of responsibility);

7. identify potential personal or business related conflicts (real or perceived) and ensure such conflicts are appropriately identified and reviewed and that they result in the Director declaring to the Board the existence of any such conflict and choosing to abstain from participation in discussion and decisions where a conflict may arise, in accordance with the provisions of the *Business Corporations Act* (Alberta), the Amended and Restated Declaration of Trust of the Trust and other applicable law and regulation;
8. when appropriate, communicate with the Chair of the Board and the CEO between meetings and be responsive when an officer of the Company or member of the Board desires to communicate between meetings;
9. demonstrate a willingness and availability for personal consultation with the Chair of the Board and the CEO;
10. evaluate, as requested, the performance of the CEO and senior management of the Company, the Board, the Chair of the Board, Board committees, and individual Directors; and
11. govern as a Director to achieve maximization of Trust unitholder value.

**(B) Preparation and Attendance**

To enhance the effectiveness of Board and committee meetings, each Director shall:

1. prepare for Board and committee meetings by reading reports and background materials prepared for each meeting, noting questions and matters for discussion, and where appropriate, consulting with other Directors or senior management of the Company before meetings;
2. maintain an excellent Board and committee meeting attendance and participation record; and
3. have acquired adequate information necessary for decision making, using meetings to resolve issues rather than to review information provided in Board information packages.

**(C) Communication**

Communication is fundamental to Board effectiveness. Each Director shall:

1. participate fully and frankly in the deliberations, discussions and questions of the Board;
2. encourage free and open discussion by the Board and its members in respect of the affairs of the Trust;

3. focus inquiries on issues related to strategy, policy, implementation and results rather than issues relating to the day-to-day management of the Trust;
4. advise the Corporate Secretary of the Company of the location of the Director, and of the appropriate means to communicate with the Director; and
5. treat all corporate communications and information with confidentiality and maintain strict security over corporate communications kept in the records of the Director.

**(D) Independence**

Recognizing that the cohesiveness of the Board is an important element in its effectiveness, each Director shall:

1. be a positive force with a demonstrated interest in the long-term success of the Trust and the affiliates and subsidiaries of the Trust; and
2. speak and act independently, respecting differing views held by other Directors and management.

**(E) Board Interaction**

As a member of the Board, each Director shall establish an effective, independent and respected presence, and a collegial relationship with other Directors.

**(F) Committee Work**

In order to assist Board committees in being effective and productive, each Director shall:

1. participate, as requested by the Board, on Board committees and become knowledgeable in respect of the purpose and goals of the relevant committees; and
2. understand the process of committee work, and the role of management, staff and outside advisors supporting the Board committees.

**(G) Business, Company and Industry Knowledge**

Recognizing that decisions can be made only by well informed Board members, each Director shall:

1. become sufficiently knowledgeable of the Trust's and its subsidiaries' business, services, principal regulators and industry;
2. develop an understanding of the unique role of the Trust and its subsidiaries in the communities in which the Trust and its subsidiaries operate;
3. maintain an understanding of the legislative, business, social and political environments within which the Trust and its subsidiaries operate;

4. maintain an understanding of the strategic planning process and principal risks of the Trust and its subsidiaries;
5. remain knowledgeable about the senior management structure and overall management of the Trust and its subsidiaries; and
6. be an effective ambassador and representative of the Trust and its subsidiaries.