

**STONEHAM DRILLING TRUST
STONEHAM DRILLING LIMITED PARTNERSHIP
STONEHAM ADMINISTRATION INC.
STONEHAM DRILLING INC.**

CORPORATE GOVERNANCE PRINCIPLES

INTRODUCTION

Stoneham Drilling Trust (the "*Trust*"), Stoneham Drilling Limited Partnership (the "*Partnership*") and their affiliates and subsidiaries (collectively, "*Stoneham*") are committed to responsible corporate governance practices. These Corporate Governance Principles are a framework for the way in which corporate governance is carried out within Stoneham. We believe that our governance policy benefits all of our stakeholders and must be maintained as an essential part of our operations. The Board of Directors (the "*Adminco Board*") of Stoneham Administration Inc. ("*Adminco*") and the Board of Directors (the "*GP Board*") of Stoneham Drilling Inc. (the "*GP*") will review this guideline and the applicable governance charters and terms of reference covered hereby annually to ensure that they include the most current governance standards and best practices.

THE BOARD OF DIRECTORS OF STONEHAM ADMINISTRATION INC.

(A) Duties and Responsibilities of the Board

The Adminco Board has approved and shall maintain and annually review the Adminco Board of Directors Charter. The Adminco Board of Directors Charter shall set out the duties and responsibilities of the Adminco Board.

The Adminco Board has explicit responsibility for determining the long term goals of the Trust and ensuring that there is a strategic planning process in place for the Trust.

(B) Size of Board and Selection Process

The Adminco Board is charged with examining and changing its size from time to time in order to maximize the Adminco Board's effectiveness. The members of the Adminco Board are indirectly elected by the unitholders of the Trust in accordance with the Amended and Restated Declaration of Trust (the "*Declaration of Trust*") of the Trust and applicable corporate law.

Candidates for nomination for election to the Adminco Board are identified and proposed by the Governance and Compensation Committee of the Adminco Board, which is comprised entirely of "independent" directors, as that term is defined in applicable law and regulation.

(C) Board Meeting Attendance

Each director shall strive for excellent attendance at Adminco Board and Adminco Board Committee meetings.

(D) Independence

In order for independent directors of Adminco, as described below, to serve as a more effective check on management of Adminco, the independent directors of Adminco must meet at regularly scheduled sessions, without management present.

ADMINCO DIRECTORS

(A) Independence

The Chair of the Adminco Board, and a majority of the members of the Adminco Board, shall be "independent" as that term is defined in applicable law and regulation.

The Adminco Board shall annually review and make an affirmative determination with respect to the independence of each of the Adminco directors in light of applicable law and regulation.

(B) Trust Unit Ownership

The Adminco Board has explicit authority to determine the advisability, from time to time, of implementing a policy on its members requiring a minimum level of ownership in the capital of the Trust.

(C) Director Orientation / Education

The Governance and Compensation Committee of the Adminco Board is responsible for developing an orientation and continuing education program for Adminco directors in accordance with the Adminco Board Orientation and Ongoing Training Plan.

(D) Performance Evaluation

The Governance and Compensation Committee of the Adminco Board shall assess on an on-going basis (and at least annually) the effectiveness of the Adminco Board and the contribution of directors. The Governance and Compensation Committee of the Adminco Board shall propose to the Adminco Board criteria for assessing the performance of each Adminco Board committee and assess, on an on-going basis (and at least annually), the effectiveness and performance of Adminco Board committees and shall make recommendations to the Adminco Board with respect thereto.

(E) Compensation

The Governance and Compensation Committee of the Adminco Board shall review on an ongoing basis Adminco's overall compensation policies and guidelines and shall be responsible for considering and recommending to the Adminco Board and reviewing on an annual basis Adminco's general compensation policies and guidelines and determining that they are aligned with Stoneham's values.

The compensation of Adminco's Chief Executive Officer (the "*CEO*") and of other members of senior management of Adminco shall be reviewed annually by the Governance and Compensation Committee, whose recommendations with respect thereto will be considered by the Adminco Board.

(F) Duties and Responsibilities of an Individual Director

The Adminco Board has adopted and shall review and update from time to time Terms of Reference for a director which sets out the duties and responsibilities of a director on the Adminco Board.

ADMINCO BOARD COMMITTEES

(A) Adminco Board Committee Independence

Each Adminco Board committee may meet independently of management as it considers appropriate. Each committee will be comprised entirely of "independent" directors as that term is defined in applicable law and regulation. In any event, no executive officer of Adminco or Stoneham Drilling Inc. shall be a member of the Audit Committee.

(B) Required Committees

The Adminco Board has adopted and authorized the Adminco Board committees set out below which have the general responsibilities indicated.

Each Adminco Board committee has developed a Charter which has been approved by the Adminco Board. Each committee's Charter sets out the duties and responsibilities of that committee. All committee Charters shall be reviewed annually by the Governance and Compensation Committee of the Adminco Board and the relevant Adminco Board committee. The Adminco Board shall consider the recommendations made by the Governance and Compensation Committee of the Adminco Board in this regard and approve such changes as it considers appropriate. Any changes to a committee's Charter shall be approved by the Adminco Board.

Each committee shall report regularly to the Adminco Board and report from time to time to such other committee as may be required pursuant to its Charter. Each committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties. Each committee shall participate in its annual performance evaluation.

Audit Committee

The Audit Committee assists the Adminco Board in fulfilling its oversight responsibilities by reviewing and approving the issuance of the Trust's consolidated financial statements and by overseeing: (i) the integrity of the Trust's consolidated financial statements and financial information; (ii) the external auditor's qualifications, independence, appointment, remuneration and performance; (iii) the Trust's compliance with legal and regulatory requirements; and (iv) risk management, management information systems, legislation and external business of the

Trust. The Committee also provides an avenue for communication between the external auditors, financial and senior management, the Audit Committee of the GP Board and the Adminco Board.

All members of the Audit Committee shall be financially literate as such term is defined in the Committee's Charter.

Governance and Compensation Committee

The Governance and Compensation Committee is responsible for developing the Trust's approach to governance issues and assisting the Adminco Board in fulfilling its oversight responsibilities with respect to the development and implementation of principles and systems for the management of corporate governance, with a view to fostering a culture of integrity within Stoneham.

The Governance and Compensation Committee shall review, on an on-going basis (and at least annually) Adminco's overall compensation policies and guidelines and its objectives related to executive compensation, as well as its corporate succession and development plans at the executive and senior officer level, and shall make recommendations to the Adminco Board with respect thereto. The Governance and Compensation Committee of the Adminco Board shall communicate regularly with the Governance Committee of the GP Board to ensure that Stoneham has appropriate corporate governance principles and systems in place for an organization of its size and for the industry in which it operates and to ensure that Stoneham is at all times in compliance with applicable securities laws and regulations and stock exchange policies relating to corporate governance.

ADMINCO OFFICERS

(A) Duties and Responsibilities of the Chair of the Board

The Adminco Board has adopted and shall review and update from time to time Terms of Reference for the Chair of the Adminco Board. The Terms of Reference for the Chair of the Adminco Board sets out the duties and responsibilities of the Chair of the Adminco Board.

(B) Duties and Responsibilities of the Chief Executive Officer

The Adminco Board has adopted and shall review and update from time to time Terms of Reference for the Chief Executive Officer of Adminco. The Terms of Reference for the Chief Executive Officer of Adminco sets out the duties and responsibilities of the Chief Executive Officer of Adminco.

The Adminco Board shall review annually, in conjunction with the Governance and Compensation Committee, the performance and compensation of the Chief Executive Officer of Adminco.

(C) Duties and Responsibilities of the Chief Financial Officer

The Adminco Board has adopted and shall review and update from time to time Terms of Reference for the Chief Financial Officer of Adminco. The Terms of Reference for the Chief Financial Officer of Adminco sets out the duties and responsibilities of the Chief Financial Officer of Adminco.

(D) Duties and Responsibilities of the Corporate Secretary

The Adminco Board has adopted and shall review and update from time to time Terms of Reference for the Corporate Secretary of Adminco. The Terms of Reference for the Corporate Secretary of Adminco sets out the duties and responsibilities of the Corporate Secretary of Adminco.

(E) Succession Planning

The Governance and Compensation Committee shall consider and make recommendations to the Adminco Board with respect to management succession and development plans of Adminco and shall assess such plans on an ongoing basis.

THE BOARD OF DIRECTORS OF STONEHAM DRILLING INC.

(F) Duties and Responsibilities of the Board

The GP Board has approved and shall maintain and annually review the GP Board of Directors Charter. The GP Board of Directors Charter shall set out the duties and responsibilities of the GP Board.

The GP Board has explicit responsibility for determining the long term goals of Stoneham Drilling Limited Partnership (the "Partnership") and ensuring that there is a strategic planning process in place for the Partnership.

(G) Size of Board and Selection Process

The GP Board is charged with examining and changing its size from time to time in order to maximize the GP Board's effectiveness. The members of the GP Board are indirectly elected by the unitholders of the Trust in accordance with the amended and restated limited partnership agreement of the Partnership, the Declaration of Trust and applicable corporate law.

Candidates for nomination for election to the GP Board are identified and proposed by the Governance Committee of the GP Board, which is comprised entirely of "independent" directors, as that term is defined in applicable law and regulation.

(H) Board Meeting Attendance

Each director shall strive for excellent attendance at GP Board and GP Board Committee meetings.

(I) Independence

In order for independent directors of the GP, as described below, to serve as a more effective check on management of the GP, the independent directors must meet at regularly scheduled sessions, without management present.

GP DIRECTORS

(J) Independence

The Chair of the GP Board, and a majority of the members of the GP Board, shall be "independent" as that term is defined in applicable law and regulation.

The GP Board shall annually review and make an affirmative determination with respect to the independence of each of the GP directors in light of applicable law and regulation.

(K) Trust Unit Ownership

The GP Board has explicit authority to determine the advisability, from time to time, of implementing a policy on its members requiring a minimum level of ownership in the capital of the Trust.

(L) Director Orientation / Education

The Governance Committee of the GP Board is responsible for developing an orientation and continuing education program for GP directors in accordance with the GP Board Orientation and Ongoing Training Plan.

(M) Performance Evaluation

The Governance Committee of the GP Board shall assess on an on-going basis (and at least annually) the effectiveness of the GP Board and the contribution of directors. The Governance Committee of the GP Board shall propose to the GP Board criteria for assessing the performance of each GP Board committee and assess, on an on-going basis (and at least annually), the effectiveness and performance of GP Board committees and shall make recommendations to the GP Board with respect thereto.

(N) Compensation

The Compensation Committee of the GP Board shall review on an ongoing basis the GP's overall compensation policies and guidelines and shall be responsible for considering and recommending to the GP Board and reviewing on an annual basis GP's general compensation policies and guidelines and determining that they are aligned with Stoneham's values.

The compensation of the GP's Chief Executive Officer (the "CEO") and of other members of senior management of the GP shall be reviewed annually by the Compensation Committee of the GP Board, whose recommendations with respect thereto will be considered by the GP Board.

(O) Duties and Responsibilities of an Individual Director

The GP Board has adopted and shall review and update from time to time Terms of Reference for a director which sets out the duties and responsibilities of a director on the GP Board.

GP BOARD COMMITTEES

(P) GP Board Committee Independence

Each GP Board committee may meet independently of management of the GP as it considers appropriate. Each committee will be comprised entirely of "independent" directors as that term is defined in applicable law and regulation. In any event, no executive officer of Adminco or the GP shall be a member of any GP Board committee.

(Q) Required Committees

The GP Board has adopted and authorized the GP Board committees set out below which have the general responsibilities indicated.

Each GP Board committee has developed a Charter which has been approved by the GP Board. Each committee's Charter sets out the duties and responsibilities of that committee. All committee Charters shall be reviewed annually by the Governance Committee of the GP Board and the relevant GP Board committee. The GP Board shall consider the recommendations made by the Governance Committee of the GP Board in this regard and approve such changes as it considers appropriate. Any changes to a committee's Charter shall be approved by the GP Board.

Each committee shall report regularly to the GP Board and report from time to time to such other committee as may be required pursuant to its Charter. Each committee shall have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties. Each committee shall participate in its annual performance evaluation.

Audit Committee

The Audit Committee assists the GP Board in fulfilling its oversight responsibilities by reviewing and approving the issuance of the Partnership's financial statements and by overseeing: (i) the integrity of the Partnership's financial statements and financial information; (ii) the external auditor's qualifications, independence, appointment, remuneration and performance; (iii) the Partnership's compliance with legal and regulatory requirements; and (iv) risk management, management information systems, legislation and external business of the Partnership. The Committee also provides an avenue for communication between the external auditors, financial and senior management, the Audit Committee of the Adminco Board and the GP Board.

All members of the Audit Committee shall be financially literate as such term is defined in the Committee's Charter.

Governance Committee

The Governance Committee is responsible for developing the Partnership's approach to governance issues and assisting the GP Board in fulfilling its oversight responsibilities with respect to the development and implementation of principles and systems for the management of corporate governance, with a view to fostering a culture of integrity within Stoneham.

The Governance Committee shall review, on an on-going basis (and at least annually) the GP's corporate succession and development plans at the executive and senior officer level, and shall make recommendations to the GP Board with respect thereto. The Governance Committee of the GP Board shall communicate regularly with the Governance and Compensation Committee of the Adminco Board to ensure that Stoneham has appropriate corporate governance principles and systems in place for an organization of its size and for the industry in which it operates and to ensure that Stoneham is at all times in compliance with applicable securities laws and regulations and stock exchange policies relating to corporate governance.

Compensation Committee

The Compensation Committee of the GP Board shall review on an ongoing basis the GP's overall compensation policies and guidelines and shall be responsible for considering and recommending to the GP Board and reviewing on an annual basis GP's general compensation policies and guidelines and determining that they are aligned with Stoneham's values

GP OFFICERS

(R) Duties and Responsibilities of the Chair of the Board

The GP Board has adopted and shall review and update from time to time Terms of Reference for the Chair of the GP Board. The Terms of Reference for the Chair of the GP Board sets out the duties and responsibilities of the Chair of the GP Board.

(S) Duties and Responsibilities of the Chief Executive Officer

The GP Board has adopted and shall review and update from time to time Terms of Reference for the Chief Executive Officer of the GP. The Terms of Reference for the Chief Executive Officer of the GP sets out the duties and responsibilities of the Chief Executive Officer of the GP.

The GP Board shall review annually, in conjunction with the Compensation Committee, the performance and compensation of the Chief Executive Officer of the GP.

(T) Duties and Responsibilities of the Chief Financial Officer

The GP Board has adopted and shall review and update from time to time Terms of Reference for the Chief Financial Officer of the GP. The Terms of Reference for the Chief Financial Officer of the GP sets out the duties and responsibilities of the Chief Financial Officer of the GP.

(U) Duties and Responsibilities of the Corporate Secretary

The GP Board has adopted and shall review and update from time to time Terms of Reference for the Corporate Secretary of the GP. The Terms of Reference for the Corporate Secretary of the GP sets out the duties and responsibilities of the Corporate Secretary of the GP.

(V) Succession Planning

The Governance Committee shall consider and make recommendations to the GP Board with respect to management succession and development plans of the GP and shall assess such plans on an ongoing basis.

CODE OF ETHICS,

The GP Board has approved and shall review and update from time to time a Code of Business Conduct and Ethics applicable to all directors, officers and employees of the GP and the Partnership. Stoneham requires the highest standards of professional and ethical conduct from its directors, officers and employees. Stoneham's Code of Business Conduct and Ethics reflects its commitment to a culture of transparency, honesty, integrity and accountability and outlines the basic principles and policies with which all employees are expected to comply.

DISCLOSURE, COMMUNICATIONS AND INSIDER TRADING POLICY

Stoneham has developed and shall review and update from time to time a Disclosure, Communications and Insider Trading Policy applicable to all directors, officers and employees.

DISCLOSURE

The Trust shall disclose annually in its Proxy Information Circular, in the recommended tabular format, Stoneham's compliance with the current and proposed corporate governance guidelines of the Toronto Stock Exchange and such other disclosures as may be required by applicable law and regulation, including, upon implementation thereof, as required by National Instrument 58-101 - Disclosure of Corporate Governance Practices and National Policy 58-201 – Corporate Governance Guidelines, together with such other disclosures as the Adminco Board shall determine from time to time.