

STAR DIAMOND CORPORATION
COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE
DUTIES & OBLIGATIONS

INTRODUCTION

This charter (the “Charter”) has been adopted to govern the composition, mandate responsibilities and authority of the Compensation and Corporate Governance Committee (the “Committee”) of the Board of Directors (the “Board”) of Star Diamond Corporation (the “Company”).

COMPOSITION AND PROCEDURES

1. The Committee shall be composed of such number as the Board of Directors may from time to time determine (minimum of three directors), a majority of whom shall be resident Canadians and all being independent Directors [as defined in the Toronto Stock Exchange (“TSX”) Guidelines on Corporate Governance and within the meaning of section 1.4 of National Instrument 52-110 *Audit Committees*] and unrelated, (as defined in the TSX Guidelines on Corporate Governance) to the Corporation. Members shall be appointed from among the members of the Board.
2. The Board will appoint the chair of the Committee and the Committee from among their members shall appoint the secretary of the Committee.
3. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee.
4. Meetings of the Committee shall be conducted as follows:
 - (a) The Committee shall meet at least once annually at such time and location as may be requested by the chair of the Committee. Notice of meetings to the members shall be the same as set out in the by-laws of the Company for meetings of the Board. Any member of the Committee may request a meeting of the Committee; and
 - (b) The Committee may invite such officers, Directors and employees of the Corporation as it may see fit from time to time to attend at meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee (except where the Committee considers their attendance as counterproductive towards the achievement of the Committees responsibilities).

PRIMARY RESPONSIBILITIES OF THE COMMITTEE

The primary responsibilities of the Committee are:

1. To recommend to the Board:
 - (a) An executive compensation philosophy and associated guidelines and compensation policies and practices; and
 - (b) Senior management organization and reporting structure and contingency plans in the event of the disability, termination or retirement of key executives.
2. To review and recommend to the Board corporate goals and objectives for which the Chief Executive Officer is to be responsible together with a vehicle of assessing compliance with these established corporate objectives.
3. To review the performance of all senior officers with the Chief Executive Officer.
4. To review and recommend remuneration (base compensation, cash bonus award and share-based payments) to be paid to all senior officers.
5. To review and recommend the remuneration and benefits to be paid to the directors.
6. To review, at least annually, the processes, structure and information used for directing and overseeing company management.
7. To review the implications of risks associated with the Company's compensation policies and practices and to recommend policies or practices that may mitigate risks identified.
8. To prepare and recommend to the Board annually a "Compensation Discussion and Analysis" to be included in the Corporation's information circular.
9. The Committee shall, in addition to any other duties and responsibilities specifically delegated to it by the Board of Directors, generally assume responsibility for developing the approach of the Corporation to matters of corporate governance and, from time to time, shall review and make recommendations to the Board of Directors as to such matters. Specifically, the Committee will have the authority and responsibility for:
 - a. annual review of the mandates of the Board of Directors and its committees and recommend to the Board of Directors such amendments to those mandates as the Committee believes are necessary or desirable;

- b. preparing and recommending to the Board annually a "Statement of Corporate Governance Practices" to be included in the Corporation's annual report or information circular;
- c. reviewing on a periodic basis the composition of the Board and ensuring that an appropriate number of independent directors sit on the Board of Directors, analyzing the needs of the Board and recommending nominees for appointment or election to the Board;
- d. assessing, at least annually, the effectiveness of the Board as a whole, the committees of the Board and the contribution of the Chairman of the Board, including considering the appropriate size of the Board;
- e. assessing and recommending to the Board the acceptance or rejection of any director resignation that was submitted to the Board as a result of that director receiving less than a majority of the votes in favour of the election of that director at the Company's annual meeting;
- f. providing timely recommendations to the Board regarding Safety, Health, and Environment issues that the Board delegates to the committee for further examination and deliberation;
- g. reviewing annually and providing recommendations to the Board regarding changes to the Company's code of conduct; and
- h. investigating and determining whether there has been a breach of the Company's Code of Ethics by any Employee or Director of the Company.

COMPENSATION PHILOSOPHY

The Compensation Committee, in carrying out its duties and obligations will uphold the Company's philosophy of establishing compensation levels that will:

- (a) attract and retain a competent management team; and
- (b) be of sufficient incentive to focus management's attention on building an asset base with a long-term view of maximizing shareholder wealth; and
- (c) reward successful achievement of performance objectives.

The Company's compensation program has four components. Specifically:

- Base compensation;
- Short-term incentives (usually in the form of cash bonuses and/or Restricted Share Units);

- Long-term incentives (usually in the form of Stock options and/or Performance Share Units and/or Restricted Share Units);
- Termination benefits

COMPENSATION POLICY

The Company's compensation policy consists of a monthly fixed base compensation established on an annualized basis together with bonus and option awards. The Committee may use its discretion in determining bonus and options awards in relation to the achievement of performance goals.

Compensation Program Guidelines

1. Base compensation

The Committee shall review the compensation of senior executives annually. When available, comparisons are to be considered with compensation for similar positions in the Canadian mining industry as reported by independent national compensation surveys or from SEDAR filings of publicly traded companies of a similar size and scope of the Company.

2. Short-term incentives

Executive cash bonus

The Committee shall administer an executive cash bonus program that may offer short-term performance incentives to the senior executives of the Company, as part of the Company's overall senior executive compensation program.

Under the senior executive cash bonus program, awards are calculated based on Company performance as well as on individual performance for each participant. The Company rating is determined by reference to annual objectives, including operational achievements, strategic initiatives, financial results, share price and other results. Individual performance assessments are evaluated based on meeting annual goals set at the beginning of the year and by subjective evaluation of associated performance.

Bonuses are sensitive to the achievement by the Company of target levels of development as well as projected uses of available cash reserves.

More weight shall be given to Company performance than individual performance in the calculation of bonus awards.

3. Long-term incentives

Stock option plan

The Committee believes that the granting of options is an effective way of ensuring executive and other individuals commitment to the longer-term interest of the Company and its shareholders. Executives and other specified individuals participate in the stock option plan. The Committee recommends annually to the Board which individuals will be granted options and the number of options to be granted. The number of options to be allocated annually among directors, officers, executives and other individuals is based on guideline amounts. Stock options granted to employees below the executive level shall be within established ranges depending upon the individual's level in the organization and the individual's contribution to Company objectives.

Performance share unit ("PSU") and restricted share unit ("RSU") plan

It is the intention of the Board that the Performance Share Unit and Restricted Share Unit Plan also be used in conjunction to provide short-term and long-term incentives by awarding RSUs with vesting terms shorter than the Unit Plan's three annual vesting tranches. By doing so, the goal of motivating and retaining personnel can be fulfilled (both short-term and long-term incentives) while also conserving cash. Senior officers are eligible to receive a combination of Options, RSUs and/or PSUs. Management and employees below that level are eligible to receive a combination of Options and RSUs.

The Committee recommends annually to the Board which individuals will be granted PSUs and/or RSUs as well as the number and terms of the PSUs/RSUs to be granted.

4. Termination benefits

Executives and other specified individuals of the Company are eligible for termination benefits. The Committee believes that offering termination benefits (which covers events such as change of control) is an effective way of ensuring executive and other individuals' commitment to the Company and its shareholders.

INDEPENDENT ADVICE

In discharging its mandate, the Committee shall have the authority to retain (and authorize the payment by the Company of) and receive advice from special legal or other advisors as the Committee determines to be necessary to permit it to carry out its duties.

The Committee must pre-approve any other services management may request of a consultant or advisor that has provided assistance in determining compensation for the Company's directors or officers.

EDUCATION AND EXPERIENCE

In discharging its mandate, the Committee members are encouraged and have authority to obtain necessary training to ensure the Company's compensation policies and practices are appropriate.