

STERLING MINING COMPANY AUDIT COMMITTEE CHARTER

The responsibilities of the Board of Directors of Sterling Mining Company include oversight of the Company's systems of internal control, preparation and presentation of financial reports, and compliance with applicable laws, regulations, and Company policies. Through this Charter, the Board delegates certain responsibilities to the Audit Committee to assist the Board in the fulfillment of its duties to the Company and its shareholders. As more fully set forth below, the purpose of the Committee is to assist the Board in its oversight of:

- The integrity of the Company's financial statements;
- The Company's compliance with legal and regulatory requirements;
- The qualifications and independence of the Company's independent auditors; and
- The performance of the Company's independent auditors and of the Company's internal audit function.

Authority

The Committee shall be given the resources and assistance necessary to discharge its responsibilities, including appropriate funding, as determined by the Committee, unrestricted access to Company personnel and documents and the Company's independent auditors. The Committee shall also have authority, with notice to the Chairman of the Board, to engage outside legal, accounting and other advisors as it deems necessary or appropriate.

Membership

The number of directors comprising the Audit Committee shall be determined by resolution of the Board adopted from time to time, but shall not be less than the greater of three and the minimum size requirement of statutes and exchange listing requirements, as may be in effect and are applicable to the Company from time to time. Furthermore, the members of the Audit Committee shall meet the independence and experience requirements of statutes and exchange listing requirements, as may be in effect and are applicable to the Company from time to time. If the Company is not subject to exchange listing requirements, the Board shall apply the standards for determining independence set forth in the corporate governance requirements of the American Stock Exchange, as the same be in effect from time to time, for the purpose of determining independence of Audit Committee members.

Procedures

The Committee shall meet at least four times a year and may call special meetings as required. Meetings may be called by the Chairman of the Committee or the Chairman of the Board. The presence in person or by telephone of a majority of the members of the Committee shall constitute a quorum. The Committee shall have authority to create and delegate specific

tasks to such standing or ad hoc subcommittees as it may determine to be necessary or appropriate for the discharge of its responsibilities. The Chairman shall regularly make a report to the Board regarding the Committee's activities.

Responsibilities

The Company's executive management bears primary responsibility for the Company's financial and other reporting, for establishing the system of internal controls, and for ensuring compliance with laws, regulations, and Company policies. The Committee's responsibilities and related key processes are described below. From time to time, the Committee may take on additional responsibilities, at the request of the Board.

(a) Financial Reporting. The Committee shall monitor the preparation by management of the Company's quarterly and annual external financial reports. In carrying out this responsibility, the Committee shall:

- review with management the significant financial reporting issues, judgments, and estimates used in developing the financial reports, including analyses of the effects of alternative GAAP methods on the financial statements;
- review the accounting and reporting treatment of significant transactions outside the Company's ordinary operations;
- review with management and the Company's independent auditors significant changes to the Company's accounting principles or their application as reflected in the financial reports;
- review with management and the Company's independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company;
- meet periodically with the Company's independent auditors (in private, as appropriate) (i) to review their reasoning in accepting or questioning significant decisions made by management in preparing the financial reports; (ii) to review any audit problems or difficulties and management's response; (iii) to review any outstanding disagreements with management that would cause them to issue a non-standard report on the Company's financial statements; (iv) to examine the appropriateness of the Company's accounting principles (including the quality, not just the acceptability, of accounting principles) and the clarity of disclosure practices used or proposed; (v) to determine if any restrictions have been placed by management on the scope of their audit, and (vi) to discuss any other matters the Committee deems appropriate;
- meet periodically in private with the Company's management;

- review earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies and discuss their appropriateness with management and the Company's independent auditors, paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information; and
- review draft quarterly and annual financial statements and discuss their appropriateness with management and the Company's independent auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(b) Relationship with Independent Auditors. The Committee shall bear primary responsibility for overseeing the Company's relationship with its independent auditors. In carrying out this responsibility, the Committee shall:

- be directly responsible for the appointment, compensation, retention and oversight of the work of the Company's independent auditors;
- review the scope and extent of audit services to be provided;
- review the overall audit plan, including the risk factors considered in determining the audit scope;
- review the independent auditors' annual letters pursuant to Independence Standards Board Standard No. 1, outlining all relationships that may impact their independence;
- review with the independent auditors the extent of non-audit services provided and related fees, and pre-approve any non-audit relationships;
- determine whether the Committee believes the outside auditors are independent;
- review the responsiveness of the outside auditors to the Company's needs;
- at least annually, obtain and review a report by the Company's independent auditors describing (i) the independent auditor firm's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities (including the Public Company Accounting Oversight Board), within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) any steps taken to deal with such issues;
- at least annually, evaluate the auditors' qualifications, performance, and independence and present its conclusion with respect to the auditors to the Board of Directors;

- resolve any disagreements between management and the auditors regarding financial reporting; and
- set clear hiring policies for employees or former employees of the Company's independent auditors.

(c) Internal Control. The Committee shall have responsibility for overseeing that management has implemented an effective system of internal control that helps promote the reliability of financial and operating information and compliance with applicable laws, regulations, and Company policies, including those related to risk management, ethics, and conflicts of interest. In carrying out this responsibility, the Committee shall:

- inquire of management, the internal control officer, and the Company's independent auditors concerning any deficiencies in the Company's policies and procedures that could adversely affect the adequacy of internal controls and the financial reporting process and review any special audit steps adopted in light of any material control deficiencies and the timeliness and reasonableness of proposed corrective actions;
- review significant internal control officer findings and recommendations, and management's responses thereto;
- meet periodically with the internal control officer in private session (without the participation of management or the independent auditors);
- review management's responses to recommendations for improving internal controls in the independent auditors' management letters;
- review the Company's policies and practices with respect to risk assessment and risk management;
- review the Company's policies and practices related to compliance with laws, ethical conduct, and conflicts of interest;
- review significant cases of conflicts of interest, misconduct, or fraud;
- review significant issues between the Company and regulatory agencies; and
- review as appropriate material litigation involving the Company.

(d) Relationship with Internal Control Officer. The Committee shall have responsibility for determining that the internal control officer is effectively discharging its responsibilities. In carrying out this responsibility, the Committee shall:

- review and approve the internal control officer's written duties and responsibilities, and review the appropriateness of the staff and resources allocated to the internal control officer to discharge those duties and responsibilities;

- review the appropriateness of the funding and operational independence of the internal control officer and its staff; and
- review and approve the appointment or dismissal of the internal control officer.

(e) Receipt of Complaints. The Committee shall establish procedures for:

- the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, and auditing matters; and
- the confidential, anonymous submission by employees of the Company regarding questionable accounting or auditing matters.

(f) Preparation of Reports. The Committee shall prepare and approve the Committee's report included in the proxy statement for the Company's annual meeting of shareholders, and such other reports as may from time to time be necessary or appropriate.

(g) Annual Performance Review. The Committee shall conduct an annual evaluation of its performance in carrying out its responsibilities hereunder.

Adopted by Resolution of the Board of Directors on September 28, 2006.