

NORTH PEACE ENERGY CORP.

CODE OF BUSINESS CONDUCT

Introduction

North Peace Energy Corp. ("**North Peace**" or the "**Corporation**") is an Alberta based early stage oil sands company. The Board of Directors of the Corporation (the "**Board**") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and its subsidiaries and the activities of management of the Corporation, which is responsible for the day-to-day conduct of the business.

The Corporation and all of its employees and consultants are expected and required to adhere to higher ethical standards in all of their conduct of business for and on behalf of the Corporation and in areas where a conflict might arise between an individual's personal interests and the best interests of the Corporation. **In this Code, the term "employee" includes a "consultant"**. Underlying all actions and business decisions is a concern for what is right. Any situation, decision or response should first consider what is right and how it reflects on the Corporation. In most cases, the best action or decision is governed by the guidelines in this document. If there is any question of appropriateness in a particular situation, an employee should seek the input of his or her supervisor. It is recognized that there may be situations in which it is impractical or inappropriate for an employee to bring the matter to his or her supervisor. In these cases, employees should seek the advice of the President and Chief Executive Officer or the Chief Financial Officer.

Employees must avoid any situation that involves a conflict between their personal interests and the interests of the Corporation. In dealing with current or potential customers, suppliers, contractors, or competitors, employees must act in the best interests of the Corporation. Real, perceived, or potential conflicts must immediately be fully disclosed in written form, to the employee's supervisor, if the employee is directly involved in the potential conflict, otherwise the employee may elect to report verbally or anonymously. The Corporation will investigate all reports concerning a conflict of interest and if necessary will maintain the confidentiality of the reporter. An investigation will be based on the information provided.

Business Conduct Policy

All employees of the Corporation shall deal with all persons doing or seeking to do business with the Corporation without favor or preference based on personal considerations.

Each employee is required to avoid any situation which does or may involve a conflict between their personal interest and the interest of the Corporation.

All employees shall review and sign a copy of this Code of Business Conduct upon commencing employment or service with the Corporation, indicating that the employee has read, understands and agrees with the terms and conditions of this Code of Business Conduct.

Any employee who violates this policy shall be subject to disciplinary action, including the immediate termination of employment (or consulting contract, as applicable) in certain circumstances.

Responsibilities and Values

The Corporation is committed to increasing its value to customers, employees, shareholders, and other stakeholders through strategic investments. The Corporation employees will fulfill this commitment while upholding the highest level of ethical conduct and meeting responsibilities as good corporate citizens. To achieve these objectives, the Corporation employees must:

- (a) adhere to the Corporation's or local jurisdictional standards, whichever are higher, for the safe operation of facilities, for the delivery of quality products and services, and the protection of the environment.

- (b) treat all customers and suppliers in an honest and fair manner. Payments to suppliers must be for goods or services provided to the Corporation, approved at the appropriate level, and for no other purpose than that described in the documents supporting the transaction.
- (c) conduct business with integrity and operate in compliance with all applicable laws, and government regulations in the jurisdictions in which the Corporation conducts business.
- (d) safeguard (including non-disclosure) the Corporation's proprietary information, assets, and resources, as well as those of other organizations which have been entrusted to the Corporation.
- (e) maintain all records accurately to clearly represent the relevant facts and the true nature of conditions and transactions.
- (f) provide political contributions only where they are legal and in accordance with local custom or tradition. All contributions by the Corporation must be limited to amounts small enough to avoid suggestions of special consideration.
- (g) provide a collegial working environment in which all individuals are treated fairly and, with respect and dignity. Work place discrimination against any employee because of race, religious beliefs, colour, gender, sexual orientation, physical disability, mental disability, marital status, age, ancestry, place of origin, family status or source of income, will not be tolerated.

Conflicts of Interest

While it is not possible to list every circumstance which may give rise to a conflict of interest, the following are considered to be conflicts of interest and are to be used as a guide to consider what other types of activity are or may also create conflicts of interest:

An Employee shall refrain from:

- (1) serving as director, officer, or consultant of any outside concern which does business with, or is a direct competitor of the Corporation, except with the written consent of the Corporation, which consent shall not be unreasonably withheld providing this relationship is not materially adverse to the Corporation;
- (2) giving preferred treatment to a relative, friend or acquaintance in the hiring, assessment of performance, career progression, or compensation of such person;
- (3) disclosing to unauthorized persons or using for personal benefit or advantage any of the Corporation's information, data, or records of a confidential nature which is not otherwise generally available to the public from the Corporation or non-Corporation sources;
- (4) competing with the Corporation either directly or indirectly during active employment, unless stated otherwise in an employment contract;
- (5) reserving for oneself or diverting elsewhere a business opportunity that belongs to, has been developed by or is or would be available to the Corporation or for which the Corporation has been or will be negotiating;
- (6) soliciting for, acceptance of, or giving a commission, kick-back, gift or any other fee or payment for the direct or indirect benefit of the employee or any other person or corporation;
- (7) participating in any transaction involving the interests of the Corporation in which the employee or a close relative (spouse, child, parent, brother, sister, in-law, friend, or close acquaintance) has a personal interest, unless expressly authorized in writing by the Corporation after the relationship has been disclosed; and

The Corporation supports employees who contribute to their communities through involvement with charitable, community service and professional organizations, provided that:

- (1) if Employees use North Peace's resources for such activities they should only do so with the prior consent of any two of the Corporation's President and Chief Executive Officer and Chief Financial Officer;
- (2) each Employee should ensure that he or she is seen as speaking for the organization as an individual and not as a spokesperson of the Corporation; and
- (3) Employees engaging in the political process must take care to separate their personal activities from their association with North Peace.

Employees, as stated under the Business Conduct Policy Section, cannot enter or be already part of any situation(s) in which their personal interests might conflict with those of the Corporation. More specifically, employees must avoid acquiring interests, or participating in activities which would tend:

- (1) to deprive the Corporation of the time or attention required to perform their duties properly; or
- (2) to create an obligation which would affect their judgement or ability to act solely in the Corporation's best interest.

A potential conflict of interest is inherent in direct or indirect (i.e. through family members) relationships with enterprises which supply, buy from, or compete with the Corporation. Questionable relationships include:

- (1) borrowing from such an enterprise;
- (2) employment, consultation or directorships with such an enterprise;
- (3) receipt of gifts or favours of more than nominal value, particularly in situations in which business judgement may be influenced; and
- (4) direct or beneficial ownership of an interest in, or any class of, the assets or securities of such an enterprise, except an investment representing less than one per cent of the outstanding securities of a publicly traded corporation.

Employees must act in such a manner that their conduct will bear the closest scrutiny should circumstances demand that it be examined. Not only actual conflicts of interest but the very appearance of conflict should be avoided.

Where a conflict of interest situation may exist or be perceived to exist, the employee may be put in a compromising position or his or her judgement may be questioned. The Corporation wants to ensure that all employees are, and are perceived to be, free to act in the best interests of the Corporation. Disclosure of areas of potential conflict of interest must be made immediately to senior officers of the Corporation and will allow the Corporation to decide what appropriate steps are to be taken to protect both the Corporation and the employee from these situations.

Employees shall disclose, in writing, at the time of their employment/being contracted (Certification form attached to this Policy) all business, commercial or financial interests, activities, or any relationships which might reasonably be regarded as creating an actual or potential conflict of interest with their duties as an employee.

CONFLICT OF INTEREST SITUATIONS ARE NOT ALLOWED OR APPROPRIATE FOR ANY OF THE CORPORATION'S EMPLOYEES. IN THE EVENT OF A CONFLICT OF INTEREST, OR A PERCEIVED CONFLICT OF INTEREST, FOLLOWING DISCLOSURE IN WRITING BY THE EMPLOYEE TO THE CORPORATION, THE CORPORATION MAY OR MAY NOT GRANT APPROVAL. WITHOUT APPROVAL BY THE CORPORATION IN WRITING, THE CONFLICT SITUATION MUST CEASE IMMEDIATELY.

Compliance With the Law

A concern for what is right underlies all business decisions. The Corporation may be held liable for the wrongful actions of its employees in certain circumstances. Employees must, therefore, ensure that their dealings and actions on behalf of the Corporation comply with the requirements and intent of all relevant legislation and regulations. This includes rules, regulations and guidelines established by self-regulating bodies or professional organizations.

In addition to the laws imposed by statute, there is a duty upon a company to honour agreements, whether in writing or not, and to act reasonably and in a manner that will not cause harm to others. Employees must diligently ensure that their conduct is not and cannot be interpreted as being in contravention of any laws governing the affairs of the Corporation in any jurisdiction where it carries on business.

Ignorance of the law will not usually excuse a party who contravenes a law. Employees must, therefore, work together with the Corporation to keep informed of laws which may affect those affairs of the Corporation which are under his or her control.

Whenever an employee is in doubt about the application or interpretation of any legal requirement, the employee should seek the advice of the Corporation's Chief Financial Officer or the Corporation's counsel, William Maslechko (phone: (403) 260-0377).

Health, Safety and the Environment

The Corporation is committed to safe and healthful working conditions for all employees and to conducting its activities in an environmentally responsible manner.

Employees are expected to read and be aware of the Corporation's Environmental Health and Safety Policies and Procedures. Their awareness of such procedures should assist the Corporation in improving operations thereby avoiding injury or sickness to all persons, and damage to property and the environment, by giving due regard to all applicable safety standards, regulatory requirements, technical, and conventional standards and restraints.

All conditions, situations or accidents which give rise to environmental, health or safety concerns must be immediately reported to the Chief Executive Officer or any other Senior Officer of the Corporation.

Payments To and From Employees

It is the Corporation's policy to deal fairly and lawfully with all customers, suppliers and independent consultants purchasing or furnishing goods or services. All goods and services shall be obtained on a competitive basis at the best value considering price, quality, reliability, availability and delivery.

Employees shall not accept gratuities or favours of any sort having more than a nominal value. Employees should neither seek nor accept gifts, payments, services, fees, trips or accommodations, special privileges of value, or loans from any person (except from persons in the business of lending and then on conventional terms) or from any organization or group that does, or is seeking to do, business with the Corporation or any of its affiliates, or from a competitor of the Corporation or any of its affiliates. Gifts of nominal value (e.g. advertising mementos, desk calendars or pens) or accepting hospitality or entertainment (e.g. lunch, dinner, or tickets to a local sporting event) are acceptable. Employees should report gifts of a more substantial nature to their supervisor.

No employee shall offer, or provide on behalf of the Corporation, any expensive gifts, excessive entertainment or payments of any amount of money to any supplier, customer, subcontractor, competitor, or any public official, or to their representatives, nor pay to them, either directly or indirectly, any commissions or fees which are excessive in relation to the services rendered. Modest gifts, favours or entertainment may be furnished by employees whose duties permit them to do so, provided all of the following tests are met:

- (1) they are not in cash or securities and are of modest value (i.e. less than \$500); and

- (2) they do not contravene any law and are made as a matter of generally accepted practice; and
- (3) if subsequently disclosed to the public, they would not in any way embarrass the Corporation or their recipients.

Contributions

As a responsible community citizen, the Corporation encourages and supports the participation of its employees in charitable, educational and cultural activities.

The direct or indirect use of the Corporation's funds, goods or services as contributions to charities, political parties, campaigns or candidates for election to any level of government requires the prior written approval of any two of the Corporation's President and Chief Executive Officer and Chief Financial Officer.

Contributions include money or anything having value, such as loans, services, entertainment, trips and the use of the Corporation's facilities or assets. Time spent on charitable, political or similar activities while an employee is to be attending to his or her employment responsibilities also amounts to a contribution. Furthermore, no employee is to be reimbursed for any contributions which he or she might make acting in a personal capacity.

The Corporation encourages political, cultural and other charitable activities and involvement by its employees acting on their own behalf but not as representatives of the Corporation.

Public Officials

The Corporation participates in a heavily regulated industry, and conducting business operations which relate directly to regulations must be especially sensitive to the interaction of employees with public officials. All interaction and communications between employees and public officials are to be conducted in a manner that will not compromise the integrity or reputation of any public office, the Corporation or its affiliates.

Books of Account

The Corporation's books of account and records must reflect transactions accurately and in a timely manner to ensure that all transactions with which they are involved are authorized and executed in accordance with the Corporation's procedures and that no undisclosed or unrecorded transactions are made.

Insider Trading

The Corporation encourages employees to be shareholders in the Corporation as one way to more tangibly link shareholder interests with those of the employees. However, employees possessing inside information are expected to and must show integrity and use proper judgement in the timing of their investments. If in doubt as to the propriety of actions, the employee should seek the advice of the President and Chief Executive Officer or Chief Financial Officer in accordance with the Corporation's Disclosure and Insider Trading Policy.

Certain information, which the Corporation treats as secret, may influence the price or trading of the Corporation's shares or other securities if it is disclosed to members of the public. Specific "inside information" would include that concerning major contracts, proposed acquisitions or mergers and sales or earnings figures. Employees shall not use such inside information for their own financial gain or that of their associates, nor shall they inform another person or company about such information before it has become generally disclosed.

Inside information is information which (1) has not been publicly released, (2) is intended for use solely by the Corporation and not for personal use, or (3) is the type usually not disclosed by the Corporation. All employees who come into possession of material inside information before it is publicly disclosed are considered insiders for the purposes of securities laws. The husbands, wives, other immediate family members and those under control of insiders may also be regarded as insiders. Included in the concept of insider trading is "tipping" or revealing insider

information to other individuals to enable such individuals to trade in the Corporation's securities on the basis of undisclosed information.

The Alberta and Ontario Securities Acts impose certain liabilities upon every person, employee or retaineé of the Corporation, and any associate of such person, from using for their own benefit in connection with a trade in securities of the Corporation any inside information including that which, if generally known, might reasonably be expected to affect materially the market price of shares or other securities.

The TSX Venture Exchange ("**TSXV**") has provided a Policy Statement on Timely Disclosure which expands on the requirements of securities law such as the Alberta Securities Act.

The TSXV Disclosure Rules on Employee Trading require that employees with access to material information be prohibited from trading until the information has been fully disclosed by the Corporation and a reasonable period of time has passed for the information to be disseminated. This period may vary, depending on how closely the Corporation is followed by analysts and institutional investors. In general, a one-trading-day period should elapse prior to employee trading in the Corporation's shares.

This prohibition applies not only to trading in Corporation securities, but also to trading in other securities whose value might be affected by changes in the price of the Corporation's securities. For example, trading in listed options or securities of other companies or Corporations that can be exchanged for or which derive their value from the Corporation's securities is also prohibited.

In addition, if employees become aware of undisclosed material information about another public entity such as a subsidiary, they may not trade in the securities of that other entity.

The Corporation's policy parallels the various provincial securities acts and the TSXV Policy Statement on Timely Disclosure in that all employees who receive inside information about the Corporation, its associates and affiliated companies or other companies in which it has an interest, are in a position of Corporation, and they must not trade in shares or other securities on the basis of the information they possess before it becomes generally disclosed or otherwise make use of such information for their own benefit or advantage.

Confidential Information

The Corporation is in a highly competitive environment with other petroleum companies seeking the advantage of technical ideas or information. Certain records, reports, papers, devices, processes, plans, methods and apparatus of the Corporation, including methods of doing business and information on P&NG rights held, cost information, geological maps, engineering and information system technologies, etc. are the "intellectual property" of the Corporation and are considered to be strictly confidential. Employees are not to reveal or use for any personal purpose such confidential information without written consent from the President and Chief Executive Officer or Chief Financial Officer.

Confidential information does not include information which is already in the public domain. Certain information may be released by the Corporation (to comply with securities regulations for example); however, the release of such information is a decision of the Board of Directors and/or senior management. If there is any doubt as to what can or cannot be discussed outside of the Corporation, employees should err on the side of discretion and not communicate any information. For more specific advice, an immediate supervisor or the Chief Financial Officer should be consulted.

Grandfathering

Employees who are currently in contravention of any of the requirements of this Code of Business Conduct must disclose those situations in writing to the Corporation.

Certification

All current employees of the Corporation and its subsidiaries are asked to certify their review of and compliance with the provisions contained in this Code of Business Conduct. Officers of the Corporation will be required to provide a certificate of compliance annually to the Audit Committee of the Board of Directors in this regard. The attached form of certification is also to be used by employees to disclose any potential Business Conduct conflict of interest situations that arise in the future following this new certification requirement.

ANY EMPLOYEE WHO IS AWARE OF ANY CONTRAVENTION, OR WHO IS CONCERNED THAT THERE MAY BE A CONTRAVENTION OF THIS POLICY BY ANOTHER EMPLOYEE, IS EXPECTED TO REPORT THE MATTER PROMPTLY TO THE PRESIDENT AND CHIEF EXECUTIVE OFFICER OR CHIEF FINANCIAL OFFICER.

ONCE IDENTIFIED, MANAGEMENT WILL ACT IMMEDIATELY TO INVESTIGATE THE PERCEIVED CONFLICT OF INTEREST AND TAKE MEASURES TO ENSURE THAT NO EMPLOYEE IS OPERATING UNDER CONFLICTING CIRCUMSTANCES.

Compliance When in Doubt

As a condition of employment, employees are expected to comply with this code of conduct and the underlying policies and procedures. When in doubt, employees have the responsibility to seek clarification or advice from management. It is important that documentation is created at the time of disclosure and resolution.

All employees, the Corporation, and its other stakeholders benefit from good ethical practices. Employees who suspect misconduct, fraud, or abuse of the Corporation assets or other violations of this code of conduct are responsible to report such matters to their supervisor, or to the Chief Financial Officer. Employees may in sensitive situations, also anonymously report a violation of this Code of Conduct in accordance with the Corporation's Whistleblower Policy.

**NORTH PEACE ENERGY CORP.
CERTIFICATION STATEMENT FOR
THE CODE OF BUSINESS CONDUCT POLICY**

I have read North Peace Energy Corp.'s Code of Business Conduct Policy (the "Policy"), and I can certify that except as specifically noted below:

- (1) I understand the content, purpose and consequences of contravening the Policy.
- (2) I am not and have not been in violation of the Policy except as may be stated below.
- (3) After due inquiry and to my best knowledge and belief, no employee or consultant under my direct supervision is in violation of the Policy.
- (4) I will exercise my best efforts to assure full compliance with the Policy by all employees and consultants under my direct supervision and I will continue to abide fully by the Policy.

Print or type name

Signature

Title and Location

Date

Any/All Exceptions

(Please include any potential conflict of interest situations)

(1)

(2)

(If required, provide additional details on the reverse side of this sheet or by appendage to this Certificate.)