

TRAVERSE ENERGY LTD.

SUITE 800, 839 - FIFTH AVENUE SW, CALGARY, ALBERTA, CANADA T2P 3C8

TEL: (403) 264.9223 Fax: (403) 264.9558

Amended August 25, 2009

CODE OF BUSINESS CONDUCT AND ETHICS

1. Purpose

Every director, officer and employee of Traverse Energy Ltd. (the “**Company**”) (each, a “**Traverse Person**”) has the responsibility to obey the law and act ethically. To that end, this Code is a guide intended to sensitize such individuals to significant legal and ethical issues that arise frequently and to mechanisms available to report illegal or unethical conduct. This Code affirms the commitment of the Company to uphold ethical standards and specifies the basic principles of acceptable conduct for a Traverse Person. There may be occasions where you are confronted by circumstances not covered by policy or procedure and where you must make a judgment as to the appropriate course of action. In such cases you should feel free to contact a member of senior management for guidance on proper conduct.

This Code has been adopted by the Board of Directors of the Company and extends to every Traverse Person, including full-time, part-time and temporary employees, and contractors of the Company.

Each Traverse Person will be provided with a copy of this Code and will be required to comply as a term of office or employment. Conduct that violates this Code may also violate federal or provincial law and can subject both the Company and a Traverse Person to prosecution and legal sanctions. Further, a Traverse Person who violates this Code may face disciplinary action up to and including termination of their employment with the Company for just cause without notice or payment in lieu of notice.

In carrying out his or her duties, each Traverse Person is expected to act honestly and in good faith with a view to the best interests of the Company. To this end, the Company has committed to maintain a high standard of corporate governance that incorporates the principles of good conduct and ethical behaviour. Accordingly, the following principles for business conduct and ethical behaviour have been adopted.

2. Compliance with Laws, Rules and Regulations

Each Traverse Person is required, in the discharge of their duties and while on or using the property of the Company, to comply with all laws, regulations, policies of applicable exchanges and governance policies adopted by the Company which are applicable to the Company and the individual in all of the jurisdictions where the Company carries on business and where the individual is carrying out duties on behalf of the Company.

No Traverse Person shall directly or indirectly give, offer or agree to give or offer a loan, reward, advantage or benefit of any kind to a foreign public official or to any person for the benefit of a foreign public official in contravention of the *Corruption of Foreign Public Officials Act*.

This law can be complicated and result in serious and adverse enforcement proceedings against the Company if violated. If a Traverse Person is in doubt about whether a particular practice may violate such law, such person should contact the Corporate Secretary.

In addition each Traverse Person shall adhere to all applicable securities laws including rules regarding insider trading with respect to buying or selling securities of the Company.

3. Conflicts of Interest

Each Traverse Person shall conduct his or her business affairs in a manner that ensures his or her private or personal interests do not conflict with the interests of the Company, including conflicts relating to personal, financial or other gain. It is not always easy to determine whether a conflict of interest exists, so any potential conflict of interest must be reported immediately to a member of senior management. See Schedule "A" of this Code for examples of potential conflicts of interest.

Each director and officer who has a material interest of any kind in any existing or proposed transaction or agreement with the Company is required to abide by the disclosure requirements set out in section 120 of the *Business Corporations Act* (Alberta) (the “**ABCA**”) including by taking the following steps:

- (a) disclosing the nature and extent of his or her interest to the Board at the meeting at which a proposed contract or transaction in which the director or officer has an interest is first considered or at the first meeting after the director or officer becomes interested;
- (b) upon the request of the Board upon its being advised of the conflict, excusing him or herself from all Board or Committee deliberations in respect of the existing or proposed transaction or agreement;
- (c) abstaining from voting in respect of the existing or proposed transaction or agreement in which the director or officer has a material interest; and
- (d) abiding by all of the requirements set out in section 120 of the ABCA.

4. Fair Dealing

Ethical behaviour requires the observance of reasonable commercial standards of fair dealing. Each Traverse Person should endeavor to deal fairly with the Company’s customers, suppliers, competitors, employees and stakeholders, including governmental agencies, and to that end shall not:

- (a) make false or misleading statements to customers, suppliers or other third parties or about competitors;
- (b) solicit or accept from any person that does business with the Company, or offer to extend to any such person, cash of any amount, gifts, gratuities, meals or entertainment that could influence or give the appearance of influencing the Company’s business relationship;

- (c) solicit or accept a fee, commission or other compensation for referring customers to third-party vendors; or

otherwise take unfair advantage of customers, suppliers or third parties through manipulation, concealment, abuse of confidential information or any other unfair practice

5. Nepotism

The Company permits the engagement of an employee's spouse, parents, children and other family members provided such employment is in the best interests of the Company, hiring decisions are made strictly on the basis of individual qualifications and family members do not report to each other.

6. Confidentiality

Each Traverse Person shall maintain the confidentiality of information entrusted to them, except in circumstances where disclosure is authorized or legally mandated. Confidential information shall not be used for personal gain. Confidential information includes all non-public information that may be of use to competitors or harmful to the Company or its customers or a Traverse Person if disclosed. It includes information deemed to be proprietary to the Company, whether patented or not. It also includes information that suppliers and customers have entrusted to the Company. A Traverse Person who leaves the Company has an ongoing obligation to keep such information confidential.

7. Protection and Proper Use of the Company's Assets

Each Traverse Person shall ensure that the Company's assets are protected and properly and efficiently used for legitimate business purposes. Any suspected incidents of abuse, fraud or theft should be immediately reported in accordance with paragraph 20 of this Code.

8. Corporate Opportunities

Each Traverse Person owes a duty to advance the Company's legitimate interests whenever an opportunity arises and are prohibited from:

- (a) taking personal advantage of opportunities discovered through the use of the Company's assets, property, information or his or her position that would be contrary to the Company's interests;
- (b) using or deploying the Company's assets, property, or information for his or her position for personal gain; and
- (c) competing with the Company.

Each Traverse Person shall protect the Company's assets. The Company's managers are specifically responsible for establishing and maintaining appropriate internal controls to safeguard the Company's assets against loss from unauthorized or improper use or disposition.

9. Company Records

Records must be kept and maintained to fulfill relevant legal requirements. Recording and reporting information, including information related to operations, environment, health and safety, training, human resources and financial matters, must be done honestly, accurately and with care.

10. Accounting and Financial Reporting

Individuals must comply with the Company's accounting, reporting and internal control procedures and are forbidden to forge, falsify or leave out information which may mislead auditors or other internal or external reviewers of the Company's documents, financial or otherwise.

11. Expense Reports

Individuals must submit accurate expenses reports in respect of items and activities that are purchased for the Company's business.

12. Document Retention

Individuals are required to inform themselves and comply with the Company's document retention requirements in compliance with applicable law.

If litigation or an investigation involving the Company is pending, individuals are prohibited from modifying or destroying relevant documents or records, including personal files and electronic records, and doing so may result in prosecution.

13. Health, Safety, and the Environment

Each individual is responsible for working safely and complying with all of the Company's health, safety and environment rules and protocols at all times.

The following behaviours, while at the Company's premises or in the conduct of business on behalf of the Company, are unacceptable:

- (a) threats, violence, intimidation, assault, harassment;
- (b) the possession, use or distribution of firearms, weapons and explosives;
- (c) the use, sale, possession, distribution, manufacture or presence in the body of illegal drugs, inhalants or alcohol;
- (d) the destruction or pollution of the Company's property or neighbouring property.

If evidence supports a reasonable suspicion of the use, possession or distribution of prohibited items, the Company reserves the right to conduct searches on the Company's premises and in property belonging to the Company.

14. Discrimination & Harassment

Individuals engaged in service to the Company are forbidden to discriminate against or harass directors, executive officers, management, employees, consultants, advisors, customers or suppliers to the Company.

Individuals who discover workplace discrimination or harassment are required to report such activity to the human resources department or to the Chair of the Governance Committee.

The Company prohibits retaliation in any form against individuals who advise of discrimination or harassment, or who file a complaint, testify, assist or participate in any investigation by the Company or any government agency.

15. Competitors

Information regarding competitors must be obtained legally and directors, executive officers, management and employees are prohibited from obtaining competitor information through illegal means including information acquired during a prior employment relationship or through breaching the terms of a confidentiality agreement.

16. Monitoring

The Governance Committee, on behalf of the Board, monitor's compliance with the Code and shall require directors, executive officers, management, employees and consultants to acknowledge their agreement that they have read, understood and will comply with the Code at the time of the commencement of employment and at any other time at the discretion of the Board as implemented by management.

17. Reporting Integrity

No false, artificial or misleading entries in the books, records and documents of the Company shall be knowingly made for any reason and no Traverse Person shall engage in any arrangement that results in such prohibited acts. All reports and disclosure documentation filed by the Company will include full, fair, accurate, timely and understandable disclosure.

18. Encouraging the Reporting of Any Illegal or Unethical Behavior

Each Traverse Person is encouraged to promote ethical behavior in things they do and to ensure a healthy, ethical workplace. Violations of laws, rules, regulations or this Code are to be reported on the basis set forth in paragraph 20 of this Code.

Officers and management of the Company shall not retaliate against any Traverse Person who reports in good faith on any matter which is in contravention of this Code. The Company's directors will not knowingly allow any retaliation by officers or management in respect of reports made in good faith by any employee.

19. Waivers

Any Traverse Person whose conduct or actions have failed to meet or whose conduct or actions may not meet the principles and standards set out in this Code must immediately report such failure to the Chair of the Audit Committee. If the reporting contains a request for a waiver of

such conduct, that request shall be filed with the Chair of the Audit Committee for review and recommendation by that committee. The Audit Committee shall examine the circumstances related to the failure and the requested waiver and make an appropriate recommendation to the Board of Directors. The Company will promptly disclose waivers of this Code as required by applicable law or the rules of any stock exchange on which the securities of the Company are listed for trading.

20. How to Raise a Concern

If a Traverse Person becomes aware of a breach or possible breach of applicable laws, rules or regulations or of this Code, he or she is expected to report such breach.

In the case of an employee, the report should be made to the employee's immediate supervisor, if appropriate. If the reporting person is of the view that it would be more appropriate under the circumstances to take the breach or possible breach of this Code or other laws, rules or regulations to higher levels, due to either the nature of the breach or, if earlier reports through normal channels have not been acted upon, then that person may directly contact the Governance Committee to report suspected illegal or improper activities within the Company. A Traverse Person need not identify themselves.

Concerns should be submitted in writing, with as much detail as possible in order for the claim to be evaluated accurately, to:

Attention: Chair of the Governance Committee
Traverse Energy Ltd.
c/o Borden Ladner Gervais LLP
1000, 400 – 3rd Avenue S.W.
Calgary, Alberta T2P 4H2

This Code has been approved by the Board of Directors of the Company.

I hereby acknowledge that I have read, understood and will comply with the above Code of Business Conduct and Ethics.

Name (please print)

Signature

Date

SCHEDULE "A"

CLARIFICATION OF THE CODE OF BUSINESS CONDUCT AND ETHICS

Examples of Possible Conflicts

Conflict of Interest

A conflict situation can arise when a Traverse Person takes actions or has interests that may make it difficult to perform his or her work effectively. Conflicts of interest also arise when a Traverse Person, or family members of a Traverse Person, receive improper personal benefits as a result of the Traverse Person's position with the Company. Loans to, or guarantees of obligations of, such persons are likely to pose conflicts of interest, as are transactions of any kind between the Company and any other organization in which a Traverse Person or members of his or her family has an interest.

Financial Interest

Neither a Traverse Person nor their families (including spouses, children or spouse equivalents residing together) shall own, control or direct a material financial interest in a supplier, contractor or competitor of the Company or in any business enterprise, which does or seeks to do business with the Company.

Outside Business Activities

A Traverse Person shall not engage in any outside business or activity that is detrimental to the Company. Each Traverse Person is expected to spend the necessary time and attention to perform their jobs during normal business hours or as contracted.

Outside Directorships

A Traverse Person shall not serve as a trustee, director, officer, partner, consultant or any other role in any unaffiliated profit-making organization if that entity competes with or provides goods or services to the Company, without the Company's prior consent.

Gifts and Entertainment

A Traverse Person must be prudent in offering or accepting gifts (including tickets to sporting, recreational or other events) to or from a person or entity with which the Company does or seeks to do business. The value of gifts should be nominal, both with respect to frequency and amount. Gifts that are repetitive (no matter how small) may be perceived as an attempt to create an obligation to the giver and are, therefore, inappropriate. Likewise, business entertainment should be moderately scaled and intended only to facilitate business goals. If, for example, tickets to a sporting or cultural event are offered, then the person offering the tickets should plan to attend the event as well. Use good judgment. "Everyone else does it" is not sufficient justification. If you are having difficulty determining whether a specific gift or entertainment item lies within the bounds of acceptable business practice, ask yourself these guiding questions:

- Is it legal?
- Is it clearly business related?
- Is it moderate, reasonable and in good taste?
- Would public disclosure embarrass the Company?
- Is there any pressure to reciprocate or grant special favours?

Strict rules apply when we do business with governmental agencies and officials, whether in Canada, the United States or in other countries. Due to the sensitive nature of these relationships, talk with your supervisor before offering or making any gifts or hospitality to governmental employees whether in Canada, the United States or in other countries.

Customer and Supplier Relations

All customers, suppliers and independent contractors purchasing or furnishing goods and services must be dealt with fairly. Decisions to hire a subcontractor or source materials from a particular vendor must be made on the basis of objective criteria such as quality, reliability, technical excellence, price, delivery, service and maintenance of adequate sources of supply.

Government and Community Relations

The Company's financial support to political organizations requires the express approval of the Chief Executive Officer of the Company. A Traverse Person engaging in personal political activities must do so in his or her own right and not on behalf of the Company. Corporate donations to charities made on behalf of the Company shall be within budgets approved by the appropriate business unit head.

Personal Relationships

Each Traverse Person shall avoid any arrangement or circumstance, including personal relationships, that may compromise their ability to act in the best interest of the Company. A Traverse Person, excluding contractors, shall not supervise directly or be in a position to influence the career of someone with whom he or she is engaged in a personal relationship.

Additional Obligations with Respect to the Company's Assets Use of the Company's Resources

Use of the Company's Resources

The Company's resources include company time, materials, supplies, equipment, information, electronic mail and computer systems. These resources are generally only to be used for Company-specific purposes.

In protecting the Company's resources, the Company reserves the right to periodically monitor access to and the content of the Company's computer systems and networks. A Traverse Person should not assume they have any right to privacy of electronic data residing on the Company's computer resources.

Use of Internet and Email

The Company's computer networks and information resources include electronic mail and messaging systems, internal Intranet and the public Internet. The Company's computer resources and networks are provided for Company-related business purposes. Excessive personal use is inappropriate. Use of the Company's computer resources to view, retrieve or send sexually-related or pornographic messages or material; violent or hate-related messages or material; bigoted, racist or other offensive messages or other messages or material related to illegal activities, is strictly prohibited.

Use of the Company Name

A Traverse Person must not use his or her employment status to obtain personal gain from those doing or seeking to do business with the Company. Employees may not use the Company's name or purchasing power to obtain personal discounts or rebates unless the discounts are made available to each Traverse Person.

Patents and Inventions

Inventions, discoveries and copyright material, made or developed by employees in the course of, and relating to, their employment with the Company are the property of the Company unless a written release is obtained or covered by contract.

Proprietary Information

Employees are reminded they are not to use proprietary information which is detrimental to the Company's interests.