

# TUSK Energy Corporation

## CODE OF BUSINESS CONDUCT AND ETHICS

*Adopted by the Board of Directors on June 26, 2006*

### I. GENERAL

#### 1. Purpose of the Code

The board of directors (the "**Board**") of TUSK Energy Corporation (the "**Corporation**") has adopted this Code of Business Conduct and Ethics (the "**Code**"), which is designed to provide guidance on the conduct of the Corporation's business in accordance with high ethical standards. As a public entity, the Corporation must not only conduct, but must also be seen to conduct, its business in accordance with such high ethical standards.

The Code constitutes written standards that are reasonably designed to promote integrity, to deter wrongdoing and to address at a minimum, the fundamental principles set out below.<sup>1</sup>

#### 2. Application of the Code

The Code applies to all directors, officers and employees of the Corporation<sup>2</sup> and its subsidiaries (who are referred to collectively as "**Personnel**").

#### 3. Monitoring Compliance

The Compensation and Corporate Governance Committee (the "**Committee**") is responsible for monitoring compliance with the Code.<sup>3</sup>

#### 4. Waivers from the Code

A waiver of this Code will be granted only in exceptional circumstances. Any waivers from the Code that are granted shall be granted by the Board only.<sup>4</sup>

---

<sup>1</sup> National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**"), s. 3.8.

<sup>2</sup> NP 58-201, s. 3.8.

<sup>3</sup> NP 58-201, s. 3.9.

<sup>4</sup> NP 58-201, s. 3.9.

**Note:** NP 58-201 provides that although issuers must exercise their own judgment in making materiality determinations, the Canadian Securities Administrators (the "CSA") consider that conduct by a director or executive officer which constitutes a material departure from the code will likely constitute a "material change" within the meaning of National Instrument 51-102 – Continuous Disclosure Obligations. National Instrument 51-102 requires every material change report to include a full description of the material change. Where a material departure from the code constitutes a material change to the issuer, the CSA expect that the material change report will disclose, among other things: the date of the departure(s), the party(ies) involved in the departure(s), the reason why the board has or has not sanctioned the departure(s), and any measures the board has taken to address or remedy the departure(s).

## **II. FUNDAMENTAL PRINCIPLES**

### **1. Conflicts of Interest<sup>5</sup>**

Personnel must act honestly and in good faith, with a view to the best interests of the Corporation. Personnel must avoid situations involving a conflict or the potential for a conflict between their personal interests and the interests of the Corporation. Any matter in which Personnel may have a conflict of interest must be brought to the attention of the Committee and may not be proceeded with until approved by the Committee.

The following are specific conflicts that may arise in the course of carrying out the Corporation's business:

#### **(a) Outside Business Interests**

Subject to any specific terms of employment to the contrary, Personnel are free to take on employment and other activities outside of their work responsibilities with the Corporation. However, in doing so, Personnel must ensure that any such outside activities do not present a real, or perceived, conflict with the interests of the Corporation or with their duties to the Corporation as Personnel.

Personnel must not claim to speak on behalf of the Corporation without prior authorization. Reference should be made to the Corporation's Corporate Disclosure Policy.

#### **(b) Outside Directorships**

Personnel may not serve as a director of an outside company, unless the Board has been first advised and has provided its consent to do so.

#### **(c) Financial Interests in Suppliers, Contractors or Competitors**

Any proposed affiliation between Personnel and any entity that has a relationship with the Corporation is subject to review by the Board.

---

<sup>5</sup> NP 58-201, s. 3.8(a).

**(d) Obtaining a Personal Loan or Guarantee from the Corporation**

The Corporation shall not make, whether directly or indirectly, any loan to, or guarantee of the obligations of, Personnel.

**(e) Hiring Relatives of Current Personnel**

The hiring of relatives of any Personnel is prohibited without the prior consent of the Board. Notwithstanding the foregoing, the Chief Executive Officer may approve the hiring of part-time employees who are relatives of Personnel, provided they are not related to the Chief Executive Officer, in which case, the Chief Operating Officer, or if there is no Chief Operating Officer, the Chief Financial Officer, will have the authority to approve such hiring.

**(f) Giving and Receiving Gifts**

Personnel are prohibited from soliciting or receiving any gift, loan, reward or benefit from a supplier or customer in exchange for any decision, act or omission by any Personnel in the course of carrying out their functions.

Similarly, Personnel should not try to influence the decisions of a supplier or customer by giving gifts.

Examples of acceptable gifts, both to give and receive, include:

- (i) gifts that are promotional in nature or are small gifts given as tokens of appreciation (eg. pens, golf shirts);
- (ii) gifts that are widely distributed to other Personnel, customers or suppliers;
- (iii) meals;
- (iv) reasonable local sporting or theatrical events;
- (v) holiday gatherings and other celebrations; and
- (vi) reimbursement for reasonable expenses incurred in the course of business.

**2. Protection and Proper Use of Corporate Assets and Opportunities<sup>6</sup>**

All Personnel must handle the physical and intellectual assets of the Corporation with integrity and with due regard to the interests of all of the Corporation's stakeholders. Personnel are deemed to hold Corporation property in trust for the benefit of the Corporation. The assets of the Corporation include the time Personnel are expected to work. Any misuse or misappropriation of Corporation assets can lead to

---

<sup>6</sup> NP 58-201, s. 3.8(b).

disciplinary action. Personnel must return all Corporation property under their control when leaving their employment with the Corporation.

Personnel cannot appropriate a corporate opportunity or corporate property, arising out of their relationship with the Corporation, for their own personal benefit

Only authorized Personnel have authorization to enter into business transactions on behalf of the Corporation.

Personnel must not use the Corporation's name, property and goodwill to obtain personal advantage.

All corporate transactions must be accounted for in the Corporation's books. Records must not be manipulated or destroyed for the purpose of impeding or obstructing any investigation undertaken by the Corporation or a governmental body.

No action shall be taken to fraudulently influence or mislead anyone engaged in the performance of an audit of the Corporation's financial statements.

All Personnel, to the extent applicable, are required to comply with the Corporation's policies.

Email and Internet systems are provided primarily for business use. Personal use of these resources should be kept to a minimum. As email may not be entirely secure, Personnel must exercise caution and etiquette when sending email correspondence.

### **3. Confidentiality of Corporate Information<sup>7</sup>**

Confidential information includes any information that is not known to the general public and includes business research, market plans, strategic objectives, unpublished financial information, customer, supplier and personnel lists and all intellectual property, including trade secrets, software, trademarks, copyrights and patents.

Confidential information may not be discussed, given or released without proper authority and appropriate protection to anyone not employed by the Corporation or to Personnel who have no need for such information.

Personnel are prohibited from trading or encouraging others to trade in the securities of the Corporation where the person trading is in possession of material non-public information. In this respect, reference is made to the Corporation's Corporate Disclosure Policy.

Personal information, as it relates to Personnel, including medical and benefits information, is only to be released to non-Corporation individuals after receiving prior permission from the affected Personnel, except where the information will be used to verify employment or to satisfy legitimate legal requirements.

---

<sup>7</sup> NP 58-201, s. 3.8(c).

#### **4. Fair Dealing<sup>8</sup>**

Personnel shall not undertake any activities that could reasonably be expected to result in an unreasonable restraint of trade, unfair trade practice or any other anticompetitive behaviour in violation of any law. However, in the normal course of business, it is not unusual for Personnel to acquire information about other organizations. In doing so, Personnel must not use illegal means to acquire a competitor's trade secrets or other confidential information.

Personnel are expected to be sensitive to situations where competition law issues may exist and to comply with all competition laws that apply in all countries in which the Corporation and its subsidiaries carry on business. When participating in joint ventures and industry associations involving competitors, Personnel must limit communication to that reasonably required for the legitimate business purposes of the arrangement.

The Corporation undertakes to deal fairly with all Personnel. There is a "no tolerance" policy in place for any form of discrimination or harassment against any individual, customers and suppliers, with respect to race, religion, age, gender, marital and family status, sexual orientation, ethnic or national origin or disability or any other grounds enumerated in applicable human rights legislation.

#### **5. Compliance with Laws, Rules and Regulations<sup>9</sup>**

All Personnel must comply with all health and safety laws, regulations and Corporation policies.

Personnel must ensure that they conduct their business activities in compliance with the laws involved in their area and keep up-to-date on issues that may affect the laws in their area of operation. Personnel are also expected to comply with the governing rules of any industry or other association with which they participate on behalf of the Corporation.

#### **6. Reporting of any Illegal or Unethical Behaviour<sup>10</sup>**

Personnel are each responsible for being aware of, understanding and complying with this Code when making business decisions. Reference is made to the Corporation's *Treatment of Complaints* Policy with respect to the reporting of any problems or concerns and any actual or potential violation of the Code. Failure by Personnel to report any actual or potential violation of the Code will be viewed as condoning a violation of this Code.

There shall be no reprisal or other action taken against any Personnel who, in good faith, bring forward concerns about actual or potential violations of laws or the Code. Anyone engaging in any form of retaliatory conduct will be subject to disciplinary action, which may include termination.

---

<sup>8</sup> NP 58-201, s. 3.8(d).

<sup>9</sup> NP 58-201, s. 3.8(e).

<sup>10</sup> NP 58-201, s. 3.8(f).

## **7. Consequences of Violating this Code**

Failure to comply with this Code and the other policies of the Corporation will be considered by the Corporation to be a very serious matter. Depending on the nature and severity of the violation, disciplinary action may be taken by the Corporation, up to and including termination. In addition, the Corporation may make claims for reimbursement of losses or damages and/or the Corporation may refer the matter to the authorities. Anyone who fails to report a violation upon discovery or otherwise condones the violation of this Code may also be subject to disciplinary action.