

CODE OF BUSINESS CONDUCT AND ETHICS

I. Introduction

Palliser Oil & Gas Corporation ("Palliser" or the "Corporation") requires the highest standards of professional and ethical conduct from directors, employees and consultants. Our reputation for honesty and integrity with our shareholders is key to the success of our business. No director, employee or consultant will be permitted to achieve results through violations of laws or regulations, or through unscrupulous dealings.

We intend that the Corporation's business practices will be compatible with the economic and social priorities of each location in which we operate. Although customs vary from country to country and standards of ethics may vary in different business environments, honesty and integrity must always characterize our business activity.

This Code reflects our commitment to a culture of honesty, integrity and accountability and outlines the basic principles and policies with which all employees are expected to comply. Please read this Code carefully.

In addition to following this Code in all aspects of your business activities, you are expected to seek guidance in any case where there is a question about compliance with both the letter and spirit of our policies and applicable laws. This Code sets forth general principles and does not supersede the specific policies and procedures that may be addressed elsewhere.

References in this Code of Ethics to the Corporation means Palliser or any of its subsidiaries.

Violation of these policies may result in disciplinary actions up to and including dismissal from the Corporation.

Your cooperation is necessary to the continued success of our business and the cultivation and maintenance of our reputation as a good corporate citizen.

II. Conflicts of Interest

A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, in any way with the interests of the Corporation. A conflict situation can arise when an employee takes actions or has interests that may make it difficult to perform his or her work effectively. Conflicts of interest also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Corporation. Loans to, or guarantees of obligations of, such persons are likely to pose conflicts of interest, as are transactions of any kind between the Corporation and any other organization in which you or any member of your family have an interest.

Activities that could give rise to conflicts of interest are prohibited unless specifically approved in advance by the Board of Directors; provided that the foregoing shall not apply to directors of the Corporation acting as directors of other corporations who shall comply with the provisions of the *Business Corporations Act* (Alberta) and shall advise the Chairman of the Board and President of such

other directorship. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interests must be reported immediately to senior management or to the Chairman of the Audit Committee or Chairman of the Board of Directors.

It is acknowledged that Directors may be employees, directors, officers of consultants of other entities engaged in the oil and gas business and that such entities may compete directly or indirectly with Palliser. Passive investments in public or private entities of less than five per cent of the outstanding shares will not be viewed as "competing" with Palliser. Any employee, consultant or director of Palliser who is actively engaged in the management of, or who owns an investment of five percent or more of the outstanding shares, in public or private entities shall disclose such holding to the President and the Chairman of the Board of Directors. In the event that any circumstance should arise as a result of such positions or investments being held which in the opinion of the President or Board of Directors constitutes a conflict of interest which reasonably affects such person's ability to act with a view to the best interests of Palliser, the President or Board of Directors will take such actions as are reasonably required to resolve such matters with a view to the best interests of Palliser. Such actions, without limitation, may include excluding such employees, consultants or directors from certain information or activities of Palliser.

III. Corporate Opportunities

Employees, officers, consultants and directors are prohibited from personally taking opportunities that arise through the use of corporate property, information or position and from using corporate property, information or position for personal gain. Employees, officers, consultants and directors are also prohibited from directly competing with the Corporation; provided that the foregoing shall not apply to directors solely as a result of their acting as directors or officers of other corporations in which they hold a de minimis economic interest.

IV. Confidentiality

Confidential information includes all non-public information that may be of use to competitors, or harmful to the Corporation or its customers, if disclosed. It also includes information that suppliers and customers have entrusted to us.

Employees and directors must maintain the confidentiality of information entrusted to them by the Corporation or that otherwise comes into their possession in the course of their duties, except when disclosure is authorized or legally mandated. The obligation to preserve confidential information continues even after you leave the Corporation.

V. Privacy

In conducting our business, Palliser needs to maintain records and information about its employees, contractors, vendors, landowners, unitholders and other business associates. We value and respect the rights of these individuals to personal privacy. We collect and use only information that is necessary for us to administer our business effectively, efficiently, safely and reliably. This information is only for the appropriate internal use of Palliser and will not be shared or used for other purposes unless permitted or required by law.

VI. Protection and Proper Use of the Corporation's Assets

All employees should endeavour to protect the Corporation's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Corporation's profitability. Any suspected incidents of fraud or theft should be immediately reported for investigation.

Corporate assets, such as funds, products or computers, may only be used for legitimate business purposes of Palliser or other purposes approved by management. The Corporation's assets may never be used for illegal purposes.

The obligation to protect the Corporation's assets includes proprietary information. Proprietary information includes any information that is not generally known to the public or would be helpful to our competitors. Examples of proprietary information are intellectual property, business and marketing plans and employee information. The obligation to preserve proprietary information continues even after you leave the Corporation.

VII. Insider Trading

Insider trading is unethical and illegal. Employees are not allowed to trade in securities of a company while in possession of material non-public information regarding that company. It is also illegal to "tip" or pass on inside information to any other person who might make an investment decision based on that information or pass the information on further. The Corporation has a Disclosure, Confidentiality and Trading Policy, which sets forth your obligations in respect of trading in the Corporation's securities and securities of others who we have direct business relations with respect to material non-public information of that third party.

VIII. Fair Dealing

Each employee should endeavour to deal fairly with the Corporation's customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through illegal conduct, manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

IX. Compliance with Laws, Rules and Regulations

Compliance with both the letter and spirit of all laws, rules and regulations applicable to our business is critical to our reputation and continued success. All employees must respect and obey the laws of the municipalities or local districts, provinces and countries in which we operate and avoid even the appearance of impropriety.

X. Environmental, Health and Safety

The Corporation is sensitive to the environmental, health and safety consequences of its operations. Accordingly, the Corporation requires strict compliance with all applicable Federal, Provincial and local environmental health and safety laws and regulations. If any employee has any doubt as to the applicability or meaning of a particular environmental, health or safety regulation, he or she should discuss the matter with a member of the Corporation's senior management.

We are all responsible for maintaining a safe workplace by following safety and health rules and practices. The Corporation is committed to keeping its workplaces free from hazards. Please report any

accidents, injuries, unsafe equipment, practices or conditions immediately to a supervisor or other designated person. Threats or acts of violence or physical intimidation are prohibited.

In order to protect the safety of all employees, employees must report to work free from the influence of any substance that could prevent them from conducting work activities safely and effectively.

XI. Discrimination and Harassment

We value the diversity of our employees and are committed to providing equal opportunity in all aspects of employment. Abusive, harassing or offensive conduct is unacceptable, whether verbal, physical or visual. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances or remarks. Employees are encouraged to speak out when a co-worker's conduct makes them uncomfortable, and to report harassment when it occurs.

XII. Accuracy of Corporation Records and Reporting

Honest and accurate recording and reporting of information is critical to the public and market confidence in the information we report and our ability to make responsible business decisions. The Corporation's accounting records are relied upon to produce reports for the Corporation's management, shareholders, creditors, governmental agencies and others. Our financial statements and the books and records on which they are based must accurately reflect all corporate transactions and conform to all legal and accounting requirements and our system of internal controls.

All employees have a responsibility to ensure that the Corporation's accounting records do not contain any false or intentionally misleading entries. We do not permit intentional misclassification of transactions as to accounts, departments or accounting periods. All transactions must be supported by accurate documentation in reasonable detail and recorded in the proper account and in the proper accounting period.

Business records and communications often become public through legal or regulatory investigations or the media. We should avoid exaggeration, derogatory remarks, legal conclusions or inappropriate characterizations of people and companies. This applies to communications of all kinds, including email and informal notes or interoffice memos. Records should be retained and destroyed in accordance with appropriate business practices, applicable laws and corporate policies and procedures.

XIII. Use of E-Mail and Internet Services

E-Mail systems and Internet services are provided to help us do work. Incidental and occasional personal use is permitted, but never for personal gain or any improper purpose. You may not access, send or download any information that could be insulting or offensive to another person, such as sexually explicit messages, cartoons, jokes, unwelcome propositions, ethnic or racial slurs, or any other messages which could be viewed as harassment. Also remember that "flooding" our systems with junk mail and trivia hampers the ability of our systems to handle legitimate company business and is prohibited.

Your messages (including voice mail) and computer information are considered property of the Corporation and you should not have any expectation of privacy. Unless prohibited by law, the Corporation reserves the right to access and disclose this information as necessary for business purposes. Use good judgment, and do not access, send messages or store any information that you would not want to be seen or heard by other individuals.

XIV. Political Activities and Contributions

We respect and support participation in political activities. However, these activities should not be conducted on Palliser time or involve the use of any corporate resources. Employees will not be reimbursed for personal political contributions. There are various rules which restrict or limit the use of corporate funds or "in kind" contributions in connection with political activities which must be complied with by the Corporation.

We may occasionally express our views on issues that affect our operations. In such cases, the Corporation's funds and resources may be used, but only when permitted by law and by our own guidelines. The Corporation may also make limited contributions to political parties or candidates in jurisdictions where it is legal and customary to do so. The Corporation may pay related administrative and solicitation costs for political action committees formed in accordance with applicable laws and regulations. No employee may make or commit to political contributions on behalf of the Corporation without the approval of the President.

XV. Gifts and Entertainment

Business gifts and entertainment are customary courtesies designed to build goodwill among business partners. These courtesies include such things as meals and beverages, tickets to sporting or cultural events, golf, travel, accommodation and other merchandise or services. In some cultures they play an important role in business relationships. However, a problem may arise when such courtesies compromise – or appear to compromise – our ability to make objective and fair business decisions. The same rules apply to employees offering gifts and entertainment to our business associates.

Offering or receiving any gift, gratuity or entertainment that might be perceived to unfairly influence a business relationship should be avoided. These guidelines apply at all times, and do not change during traditional gift-giving seasons.

The value of gifts should be nominal (i.e., \$300 or less), 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. 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:

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

Payment or acceptance of any "kickbacks" to or from a contractor or any external supplier is prohibited and may be criminal.

XVI. Payments to Domestic and Foreign Officials

Strict rules apply when we do business with governmental agencies and officials, whether in Canada or in other countries. Because of the sensitive nature of these relationships, talk with your supervisor or the President before offering or making any gifts or hospitality to governmental employees. For example, federal and certain provincial government guidelines limit the value of gifts which may be received by officials, and have various public reporting requirements for any such gifts.

Employees must comply with all laws prohibiting improper payments to domestic and foreign officials. We will not make payments of any sort to government officials to obtain a favourable decision or to attract or retain business.

In Canada, the *Corruption of Foreign Public Officials Act* (the "COFPOA") provides that every person commits an offence who, in order to obtain or retain an advantage in the course of business, directly or indirectly gives, offers or agrees 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 as consideration for an act or omission by the official in connection with the performance of the official's duties or functions, or to induce the official to use his or her position to influence any acts or decisions of the foreign state or public international organization for which the official performs duties or functions.

Although certain types of "facilitation" payments may not be illegal, the Corporation's policy is to avoid such payments. If any employee finds that adherence to the Corporation's policy would cause a substantial, adverse effect on operations, that fact should be reported to the Corporation's senior management who will determine whether and to what degree an exception may lawfully be authorized. If the facilitating payment is made, such payment must be properly entered and identified on the books of the Corporation and all appropriate disclosures made.

Violation of this policy may result in disciplinary actions up to and including discharge from the Corporation.

XVII. Reporting of any Illegal or Unethical behaviour

We have a strong commitment to conduct our business in a lawful and ethical manner. Employees and consultants are encouraged to talk to supervisors, managers or other appropriate personnel and board members to the Chairman of the Board or Chairman of the Audit Committee when in doubt about the best course of action in a particular situation. Violations of laws, rules, regulations and this Code must be reported in accordance with Palliser's Investigations Policy. We prohibit retaliatory action against any person who, in good faith, reports a possible violation. It is unacceptable to file a report knowing it to be false.

XVIII. Compliance Procedures

This Code cannot, and is not intended to, address all of the situations you may encounter. There will be occasions where you are confronted by circumstances not covered by policy or procedure of the Corporation and where you must make a judgment as to the appropriate course of action. In those circumstances we encourage you to use your common sense, and to contact your supervisor or manager if you have any doubt on the correct course of action. If you do not feel comfortable discussing the matter with your supervisor or manager, call the President or Chairman of the Board or the Chairman of the Audit Committee.

XIX. Waivers of the Code and Public Disclosure

Any waiver of this Code for senior officers or directors will be made only by the Board of Directors and will be promptly disclosed as required by regulatory authorities. Waivers of this Code for other employees and consultants may be granted by the President.

Canadian securities regulatory authorities consider conduct by a director or executive officer which constitutes a material departure from the Code will likely constitute a "material change", thereby

requiring the issuance of a news release and filing of a material change report outlining the substance of the change.

Approved: June 2, 2009.