

## **MIDNIGHT OIL EXPLORATION LTD.**

### **CODE OF BUSINESS CONDUCT AND ETHICS**

#### **I. Introduction**

At Midnight Oil Exploration Ltd. ("Midnight" or the "Company") we are committed to maintaining the highest standards of honesty and accountability and we recognize that each employee, officer, director, service provider and consultant (collectively "employees") has an important role to play in achieving this goal. Midnight's reputation is dependent upon the integrity and sense of responsibility of its employees. Midnight is committed to conducting all of its affairs with honesty, integrity and fairness and expects the same from all of its business partners. The Company will not take unfair advantage of anyone through illegal conduct, manipulation, concealment, abuse of privileged information, misrepresentation of material facts or other dishonest or unfair practices.

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 are covered in the specific policies statements, such as the Disclosure, Confidentiality and Trading Policy and Whistleblower Policy. References in this Code of Business Conduct and Ethics to Midnight or the Company means Midnight Oil Exploration Ltd. or any of its partnerships and subsidiaries.

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 Company. 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 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 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 or its designees. 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.

### **III. Corporate Opportunities**

Employees, officers and directors are prohibited from taking opportunities discovered through the use of corporate property, information or position and from using corporate property, information or position for either personal gain or to directly compete with Midnight.

### **IV. Confidentiality**

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

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

### **V. Protection and Proper Use of Company Assets**

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

Company assets, such as funds, products or computers, may only be used for legitimate business purposes or other purposes approved by management. Company assets may never be used for illegal purposes.

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

### **VI. Insider Trading**

The market price of the Midnight's shares is based on public knowledge about our results and prospects. The equity and fairness of markets rely on all participants having equal access to all public information. As employees, from time-to-time, we have material knowledge about Midnight or another company that we do business with that has not yet been disclosed to the general public. Insider trading legislation prohibits individuals from trading on this information, or providing this information to others. Midnight has developed a Disclosure, Confidentiality and Trading Policy, which sets forth our obligations in respect of trading in the Company's securities.

### **VII. Fair Dealing**

Each employee should endeavour to deal fairly with the Company'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.

## **VIII. 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 cities, provinces and country in which we operate and avoid even the appearance of impropriety. Employees who fail to comply with this Code will result in disciplinary measures, which may include termination of employment with Midnight.

## **IX. Compliance with Anti-Trust Laws**

The Company believes in fair and open competition, and strictly adheres to the requirements of anti-trust laws. These laws generally prohibit collusion or conspiracy between companies and other unfair business conduct that would unjustly lessen competition.

## **X. Compliance with Environmental Laws**

The Company is sensitive to the environmental, health and safety consequences of its operations. Accordingly, the Company will strictly comply with all applicable Federal and Provincial environmental laws and regulations in all aspects of our work. The Company will monitor its environmental performance and will look for ways to reduce and prevent waste, emissions, spills and other releases from our operations so as to minimize, wherever possible, our impact on the environment. 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 Company's senior management.

## **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. Employees are encouraged to speak out when a co-worker's conduct makes them uncomfortable, and to report harassment when it occurs.

## **XII. Safety and Health**

We are all responsible for maintaining a safe workplace by following safety and health rules and practices. The Company 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.

## **XIII. Accuracy of Company Records and Reporting**

Honest and accurate recording and reporting of information is critical to our ability to make responsible business decisions. Midnight's accounting records are relied upon to produce reports for the Company'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 the accuracy and completeness of records, reports and communications and the appropriateness of classification of transactions as to accounts and accounting

periods. All transactions must be supported by the appropriate documentation and comply strictly with prescribed accounting policies, audit procedures and other such controls, including the controls intended to be maintained pursuant to our Whistleblower Policy.

The Company believes in open access for its auditors and independent engineers to all of its documents and records and full and open communication with its auditors and independent engineers with respect to their engagement.

Business records and communications often become public through legal or regulatory investigations or the media. This applies to communications of all kinds, including e-mail, voice mail or interoffice memos and therefore employees should avoid recording inappropriate notes or comments that would embarrass them or Midnight should they be made public. Records should be retained and destroyed in accordance with the Company's records retention policy.

#### **XIV. Use of Telephone, Voice Mail, Mobile Communication Devices, Faxes, Computer Systems, E-Mail and Internet Services**

Telephone, voice mail, mobile communication devices, faxes, computer systems, e-mail 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 use or purpose. You may not access, send or download any information or data 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 message that 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.

Telephone, voice mail, mobile devices, faxes, computer systems, e-mail and internet services communications, data and other information, including all copyrights therein, however transmitted, stored or received related to your employment duties and responsibilities are and becomes the property of Midnight. Midnight will use reasonable care, caution and discretion in maintaining appropriate confidentiality and privacy of any and all telephone, voice mail, mobile devices, faxes, computer systems, e-mail and internet services communications, data and other information transmitted, stored or received that is of a personal or private nature. 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.

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

#### **XV. Political Activities and Contributions**

We respect and support the right of our employees to participate in political activities of their choice provided that their involvement is kept separate from their role as an employee. Employees must take care to represent their views as their own and not the Company's.

There are laws and regulations pertaining to political contributions made both in dollars and in "kind". Where Midnight deems appropriate, it may occasionally choose to match certain contributions but only when authorized by the Chief Executive Officer, and only when the contribution is legal and appropriate for corporations such as Midnight.

**XVI. Gifts and Entertainment**

The exchange of gifts and entertainment is a common practice in most business communities and is designed to develop and foster goodwill among business partners. Accepting gifts and entertainment can cause problems when they compromise, or appear to compromise, our ability to make fair and objective business decisions. No gift or entertainment should be accepted, or offered, if it will unfairly influence a business relationship.

There are many factors that influence whether a gift or entertainment is normal and customary. Gifts or entertainment should be moderate, reasonable and in good taste, be of a style or value commonly accepted for business occasions and should not be unusual for the recipient's job or community. The exchange must not create an obligation or sense of obligation and should occur infrequently.

Business entertainment can present situations where discretion is required since some commonly accepted business invitations can include recreational opportunities or event tickets that are of significant value. In these cases the recipient should ensure that there is a valid business development reason for attending and that there will be representation from other business executives at the event. If the invitation is for an event where the value being received may be significant, officer approval is required.

**XVII. Reporting of any Illegal or Unethical behaviour**

We have a strong commitment to conduct our business in a lawful and ethical manner. Employees are encouraged to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation and to report violations of laws, rules, regulations or this Code. We prohibit retaliatory action against any employee who, in good faith, reports a possible violation. It is unacceptable to file a report knowing it to be false.

**XVIII. Waivers of the Code of Business Conduct and Ethics**

Any waiver of this Code for executive officers or directors will be made only by the Board of Directors or a committee of the Board of Directors and will be promptly disclosed as required by law or stock exchange regulation.

**XIX. 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 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 Fred Woods, Chief Executive Officer or Judy Stripling, Executive Vice President and Chief Financial Officer for guidance. Their numbers are (403) 303-8505 and (403) 303-8502.

## **MIDNIGHT OIL EXPLORATION LTD.**

### **CODE OF ETHICS FOR SENIOR OFFICERS**

At Midnight Oil Exploration Ltd. ("Midnight or the "Company"), we have always recognized the value and importance of conducting all of our affairs with trust and integrity. For Midnight's excellent reputation to be maintained we require the highest standards of professional and ethical conduct from all of our employees, but in particular our Senior Officers are expected to set exemplary standards as an example to all employees.

This Code of Ethics for Senior Officers shall apply to Midnight's President and Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. Compliance with both this Code of Ethics and Midnight's Code of Business Conduct and Ethics is a requirement of employment.

This Code has been posted on our website and any change or waiver of this Code will be disclosed within five business days of the change or waiver through an additional posting on our website.

#### ***Standards of Conduct***

To the best of their knowledge and ability, the Senior Officers shall:

- Avoid making any investment, interest or association that interferes with the independent exercise of judgment in the Company's best interest. The Senior Officers non material personal investments in publicly traded companies of less than one per cent of the shares outstanding will not be considered an investment that by itself would interfere with the Company's best interests. The Senior Officers will disclose to the Board of Directors any other investments that might interfere or might reasonably be thought to interfere with the independent exercise of judgment in the Company's best interests.
- Keep and present all of the Company's accounting records in accordance with the appropriate laws and regulations.
- Comply with both the spirit and intent of all applicable government laws, rules and regulations.
- Provide full, fair, accurate and timely disclosure in all of the Company's public reports and documents.
- Ensure that all records fairly and accurately reflect the Company's assets, liabilities, revenues and expenses and do not contain any false or misleading information.
- Ensure that all transactions are supported by accurate documentation in sufficient detail and recorded correctly.
- Provide all the information required by the Company's independent auditors.
- Comply with Generally Accepted Accounting Principles (or the current accounting standards) and the Company's system of internal accounting controls.
- Maintain the skills and knowledge necessary to perform their functions.

**MIDNIGHT OIL EXPLORATION LTD.**

**COMPLIANCE AFFIRMATION FOR SENIOR OFFICERS**

**I. Affirmation of Compliance**

The undersigned certifies that he or she has received and read the above Code of Ethics for Senior Officers and agrees to abide by the policies summarized therein.

**II. Affirmation of Legal and Ethical Business Conduct**

By signing this form, the undersigned confirms that, to the best of his or her knowledge and belief, each dealing or transaction to which he or she has been party, directly or indirectly, on behalf of this Company:

1. was characterized by honesty and integrity;
2. complies with applicable laws and regulations;
3. did not involve any unethical dealings, unbooked fees, special favours, benefits or contributions to any private party, government or government agency;
4. did not involve any unlawful arrangements with competitors; and
5. was recorded and properly described on the Company's books.

If there are any exceptions, please describe them on the reverse side.

**III. Conflict of Interest Questionnaire**

Please answer "Yes" or "No" to the following questions. If the answer to any question is "Yes," full details must be given on the reverse side.

- A. Have you or, to your knowledge, has any member of your immediate family, at any time during the period since you have held the position of Senior Officer:
1. engaged, directly or indirectly, in any transaction for the purchase or sale of materials or other property, or services by or to Midnight Oil Exploration Ltd. or any subsidiary or division thereof (hereinafter collectively called the Company), otherwise than in the normal capacity of officer or employee of the Company;

Yes \_\_\_\_\_

No \_\_\_\_\_

2. been an officer, director, partner or employee of any corporation, partnership or other organization which, to your knowledge, has engaged in any transaction described in (a) above with the Company;

Yes\_\_\_\_ No\_\_\_\_

3. been interested monetarily, directly or indirectly, in any organization doing business with the Company (unless as a holder of less than 1% of the voting securities issued by a corporation whose securities are publicly traded); and

Yes\_\_\_\_ No\_\_\_\_

4. been a recipient, directly or indirectly, of any payments or material gifts of any kind from or on behalf of any organization doing business with the Company (unless by way of dividend or interest payments made by a corporation whose securities are publicly traded)?

Yes\_\_\_\_ No\_\_\_\_

- B. Is any transaction contemplated, involving you or any member of your immediate family, which, if consummated, would be described in answer to any of the preceding items?

Yes\_\_\_\_ No\_\_\_\_

- C. Are you aware of any interest or activity on your part, or on the part of any member of your immediate family, which is in conflict with the interests of the Company?

Yes\_\_\_\_ No\_\_\_\_

\_\_\_\_\_  
(Please sign)

\_\_\_\_\_  
Title

Dated \_\_\_\_\_