

**PAINTED PONY PETROLEUM LTD.**  
**Confidentiality Of Information,**  
**Employee Trading And**  
**Insider Trading And Reporting Policy**

Painted Pony Petroleum Ltd. (the “*Corporation*”) is at all times firmly committed to the principles of fair and open markets for publicly traded securities. This policy specifically addresses the safeguarding of confidential information and employee trading in securities of the Corporation.

This policy applies equally to all directors, officers and employees of the Corporation regardless of their position, level or function. Employees whose positions may expose them to material information prior to public disclosure should familiarize themselves with this policy. If you have any questions on the confidentiality or disclosure of information relating to the Corporation or on trading in the securities of the Corporation, please contact the Chief Financial Officer or the Chief Executive Officer of the Corporation.

**1) Confidentiality of Information**

**Generally, all information regarding the business and activities of the Corporation is confidential.** Disclosure of any such information to any non-employee without disclosure to the general public erodes shareholder and investor confidence and may place the Corporation in a position where applicable securities laws and regulations regarding continuous disclosure are breached even where the information in question may not be material. The Corporation is legally obligated to disclose material information immediately. However, in some circumstances, disclosure of material information may be delayed and kept confidential temporarily where immediate release of the information would be unduly detrimental to the Corporation. The determination of what is material and requires disclosure rests with the Board of Directors and senior management. All issues dealing with the materiality of information potentially requiring public disclosure should be immediately communicated to a director or officer of the Corporation.

**Safeguarding confidential information is fundamental. Individuals with undisclosed confidential material information are prohibited from communicating such information to any other employee unless it is in the necessary course of business to do so.** Management of the Corporation will use its best efforts to limit access to such confidential material information to only those who need to know the information.

Employees who come into possession of material non-public information concerning the Corporation must not intentionally or inadvertently communicate that information to any person (including family members and friends) unless the person has a need to know the information for legitimate, company-related reasons. An employee who improperly reveals material non-public information to another person can be held liable under various securities laws and regulations for the trading activities of his or her “*tippee*” and any other person with whom the *tippee* shares the information.

Accordingly, employees should be discreet with inside information and not discuss it in public places where it can be overheard such as elevators, restaurants, dinner parties, taxis and airplanes. Further, discussion of inside information should be discouraged on cellular phones or other wireless devices. Material non-public information should be divulged only to persons having a need to know it in order to carry out their job responsibilities. To avoid even the appearance of impropriety, employees should refrain from providing advice or making recommendations regarding the purchase or sale of securities of the Corporation. In this regard, employees should familiarize themselves with the Corporation’s information Disclosure Policy.

**1. Material Information**

It is important to understand what constitutes a material fact, a material change and material information.

Securities legislation defines “*material change*”, when used in relation to the affairs of a corporation, as a change in the business, operations or capital of the corporation that would reasonably be expected to have a significant effect on the market price or value of the securities of the corporation and includes a decision to implement the change made by the board of directors or by senior management of the corporation who believe that confirmation of the decision by the board of directors is probable.

Similarly, “*material fact*”, when used in relation to securities of a corporation, means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the securities of the corporation.

“*Material information*” consists of both material facts and material changes. Any information relating to the business and affairs of the Corporation that results in or would reasonably be expected to result in a significant change in the market price or value of any of the securities of the Corporation is considered to be material information.

The determination of when a material change has occurred or of what constitutes a material fact may not always be clear and is subject to reassessment on a regular basis. The information may become stale because of the passage of time, or subsequent events may supersede it. As long as the change or fact remains material and non-public, it must be maintained in strict confidence and not disclosed for purposes of trading in securities of the Corporation. Examples of material changes or material facts are set forth below.

### **Examples of Material Changes and Material Facts**

The following events are generally considered to be material and privileged in nature:

#### ***Changes in Corporate Structure***

- changes in share ownership that may affect control of the company
- major reorganizations, amalgamations, or mergers
- take-over bids, issuer bids, or insider bids

#### ***Changes in Capital Structure***

- the public or private sale of additional securities
- planned repurchases or redemptions of securities
- planned splits of common shares or offerings of warrants or rights to buy shares
- any share consolidation, share exchange, or stock dividend
- changes in a company’s dividend payments or policies
- the possible initiation of a proxy fight
- material modifications to rights of security holders

### ***Changes in Financial Results***

- a significant increase or decrease in near-term earnings prospects
- unexpected changes in the financial results for any periods
- shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- changes in the value or composition of the company's assets
- any material change in the company's accounting policy

### ***Changes in Business and Operations***

- any development that affects the company's resources, technology, products or markets
- a significant change in capital investment plans or corporate objectives
- major labour disputes or disputes with major contractors or suppliers
- significant new contracts, products, patents, or services or significant losses of contracts or business
- changes to the board of directors or executive management, including the departure of the company's CEO, CFO, COO or president (or persons in equivalent positions)
- the commencement of, or developments in, material legal proceedings or regulatory matters
- waivers of corporate ethics and conduct rules for officers, directors, and other key employees
- any notice that reliance on a prior audit is no longer permissible
- de-listing of the company's securities or their movement from one quotation system or exchange to another

### ***Acquisitions and Dispositions***

- significant acquisitions or dispositions of assets, property or joint venture interests
- acquisitions of other companies, including a take-over bid for, or merger with, another company

### ***Changes in Credit Arrangements***

- the borrowing or lending of a significant amount of money
- any mortgaging or encumbering of the company's assets
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- changes in rating agency decisions
- significant new credit arrangements; and

- any other material change or material fact that a reasonable investor would consider important in deciding whether to buy, sell or hold the securities of the Corporation.

2) General Information on Insider Trading

Securities laws and regulations generally prohibit any person in a “*special relationship*” with the Corporation from either:

- purchasing or selling securities of the Corporation with the knowledge of a material fact or a material change concerning the Corporation that has not been publicly disclosed; or
- informing (or “*tipping*”), other than when necessary in the course of business, another person (including family members and friends) or corporation of a material fact or a material change concerning the Corporation before the material fact or material change has been publicly disclosed. A person who is so informed is called the “*tippee*” and is also in a special relationship with the Corporation and is not permitted to buy or sell securities of the Corporation.

This prohibition applies to, among others, the following persons who are deemed to have a “*special relationship*” with the Corporation:

- directors, officers and employees of the Corporation; and
- persons or corporations who learn of a material fact or a material change concerning the Corporation from any of the persons referred to above and who know or ought reasonably to know that such person is in a special relationship with the Corporation.

A “*special relationship*” with the Corporation includes:

- a significant shareholder;
- a person or corporation involved in a major transaction with the Corporation;
- a person or corporation involved in a professional relationship with the Corporation or any person or corporation involved in a major transaction with the Corporation (e.g. investment bankers, outside lawyers, accountants, consultants and the like);
- insiders of corporations proposing to be a party to a major transaction with the Corporation;
- a person or corporation that learns of material information from another person in a special relationship with the Corporation;
- a person or corporation that learns of material information while in a special relationship with the Corporation; and
- a family member or friend of a person in a special relationship with the Corporation.

It is against this policy and a violation of securities laws and regulations to trade on nonpublic information or to disclose inside information to others in a manner that is reasonably likely to result in trading by the person to whom the information is disclosed. If the Corporation has reason to believe or has knowledge that an employee is trading shares of the Corporation using non-public material information, appropriate action will be taken.

Employees should also keep in mind that, if they have knowledge about a material change or a material fact about another public company as a result of a transaction, a proposed transaction or a business relationship between the Corporation and that other company, they will be trading on inside information if they trade in shares of the other company prior to the public release of that information.

3) General Rule on Trading

The Corporation has adopted the following general rule in respect of trading in securities of the Corporation by employees:

If you have knowledge of a material fact or a material change relating to the business and affairs of the Corporation or any public corporation involved in a transaction with the Corporation which is not generally known, no purchase or sale of the Corporation's securities or the securities of the other public corporation may be made until the material fact or material change has been publicly disclosed. As a general guideline, once information is disclosed by the Corporation, it is not considered to be generally disseminated and absorbed by the marketplace until at least the third trading day after the information has been released. In addition, the material fact or material change must not be conveyed to any other person for the purpose of assisting that person in trading securities. **It is the sole responsibility of each employee to determine whether he or she has knowledge of material information relating to the Corporation and to refrain from trading until at least one trading day following the disclosure of material information. If unsure, the employee should address this issue with either the Chief Financial Officer or the Corporate Secretary.**

Based on an employee's job function, he or she may regularly have knowledge of material information and in such instances be prevented from trading in securities of the Corporation. Therefore, employees should consider any investment in the Corporation as a long-term investment as they may be precluded from selling their securities in the Corporation from time to time in certain circumstances.

From time to time, the Corporation may circulate notices to Restricted Persons alerting them to material events and information specifying "blackout" periods during which securities of the Corporation should not be bought or sold by employees. It should be noted that these trading "blackout" periods are in addition to trading prohibited at any time an employee has knowledge of undisclosed material information.

4) Trading Policy for Restricted Persons

For purposes of this policy, "Restricted Persons" are the persons most likely to have knowledge of undisclosed material facts or material changes with respect to the Corporation and, accordingly, are subject to a more restrictive trading policy. Restricted Persons consist of all members of the Board of Directors, officers of the Corporation and other members of senior management, and such additional persons as may be designated by the Board of Directors from time to time.

In addition to the general rule on trading outlined above, the Corporation has adopted the following policy to regulate trading of securities of the Corporation by Restricted Persons:

- a) Restricted Persons shall refrain from engaging in transactions involving securities of the Corporation during the period from the date of the calling of a meeting of the Board of Directors called for reasons other than approval of quarterly or year end financial results and, if applicable, continuing until the opening of trading on the third trading day following the date of public disclosure by the Corporation of matters resolved at the meeting, if any

- b) Restricted Persons shall refrain from purchasing or selling securities of the Corporation frequently so as to appear to be speculating in securities of the Corporation and shall not trade in securities when they are aware of any material event or information which may affect the securities of the Corporation prior to its being made public or until the opening of trading on the third trading day after its release by the Corporation. From time to time, the Corporation may circulate notices to Restricted Persons alerting them to material events and information and specifying “*blackout*” periods during which securities of the Corporation should not be bought or sold by Restricted Persons. It should be noted that these trading “*blackout*” periods are in addition to trading prohibited at any time an individual has knowledge of undisclosed material information;
- c) Restricted Persons shall not engage in short selling, or trade in puts or calls of securities of the Corporation; and
- d) Restricted Persons may engage in transactions involving the securities of the Corporation at all times during the year, unless otherwise restricted by this policy, except during the two-week period prior to, and continuing until the opening of trading on the third trading day following, the date of public disclosure by the Corporation of its quarterly or year end financial results;

Regarding the trading restrictions set forth in paragraph (d) above, the Chief Financial Officer will advise the Restricted Persons of the expected dates of public disclosure by the Corporation of its quarterly and year end financial results at least two weeks prior to such dates. Regarding the trading restrictions set forth in paragraph (b) above, the Chief Financial Officer will advise the Restricted Persons of the dates of meetings of the Board of Directors provided that the Chief Financial Officer has determined that the trading restrictions should apply having regard to the matters to be discussed at such meetings.

#### 5) Insider Reporting Obligations

Under current Alberta law, a person or Corporation who becomes an insider of the Corporation must file an insider report within 10 days of the date of becoming an insider. In addition, an insider whose direct or indirect beneficial ownership of or control or direction over securities of the Corporation changes, must file an insider report of the change within 10 days of the date of the change.

Other Canadian jurisdictions require the filing of the Insider Report within 10 days of the end of the month during which the person became an insider or the change occurred. By complying with the Alberta legal requirements in this regard, insiders will also be in compliance with the laws of other relevant jurisdictions.

Generally, securities legislation defines insiders as:

- every director or “senior officer” (as defined below) of a public issuer;
- every director or senior officer of an issuer that is itself an insider of a public issuer, which includes its subsidiaries;
- any person or Corporation that:
  - (1) beneficially owns, directly or indirectly, voting securities of a public issuer, or
  - (2) exercised control or direction over voting securities of a public issuer, or
  - (3) beneficially owns, directly or indirectly, certain voting securities of a public issuer and exercises control or direction over certain other voting securities of a public issuer,

carrying more than 10% of the voting rights attached to all voting securities of the public issuer for the time being outstanding other than voting securities held by the person or Corporation as underwriter in the course of distribution.

Generally, a “senior officer” is:

- The Chairman or Vice-Chairman of the Board of Directors, the President, Vice-President, Secretary, Comptroller, Treasurer or General Manager or any other individual who performs functions for the issuer similar to those performed by an individual occupying that office; and
- Each of the 5 highest paid employees of an issuer, including any individual referred to above.

The System for Electronic Disclosure by Insiders (“SEDI”) has been established by the applicable securities regulatory authorities. SEDI facilitates the filing and public dissemination of “insider reports” in electronic format via the Internet and this website. The SEDI website can be accessed at [www.sedi.ca](http://www.sedi.ca). Insiders who are required by provincial securities laws to file insider reports in electronic format must use this website to make these filings.

The responsibility for complying with the insider reporting requirement rests with the insider. Securities laws may change from one jurisdiction to another. The consequences of non-compliance can be serious. If uncertain about the legal obligations one should seek advice from legal counsel practicing in the area of securities law.

6) Periodic Review of Policy

A periodic review of this policy will be conducted by the Corporate Governance Committee of the Corporation to evaluate its effectiveness. Subsequent revisions will be made, if required, and communicated to employees.