

# STONEHAM DRILLING LIMITED PARTNERSHIP

## CODE OF BUSINESS CONDUCT AND ETHICS

### 1. Safety and Health

Employees are all responsible for maintaining a safe workplace by following safety and health rules and practices. Stoneham is committed to keeping its workplaces free from hazards. Please report any incidents, injuries or unsafe equipment, practices or conditions immediately to a supervisor or other designated person. Threats or acts of violence or physical intimidation are prohibited.

### 2. Introduction

This Code of Business Conduct and Ethics is applicable to all employees, officers and directors (the "*Employees*") of Stoneham Drilling Inc. (the "*Company*"), Stoneham Drilling Limited Partnership and their affiliates and subsidiaries (collectively, "*Stoneham*"). We require the highest standards of professional and ethical conduct from our Employees. The reputation of Stoneham for honesty and integrity among its stakeholders is key to the success of its business. No Employee will be permitted to achieve results through violations of law or regulation, or through unscrupulous dealings. All Employees of Stoneham must respect and comply with the letter and spirit of all of the laws, rules and regulations of Alberta and Canada applicable to Stoneham and of any jurisdiction in which Stoneham does business. Individuals who fail to comply with such laws, rules and regulations will be subject to disciplinary measures, up to and including discharge from Stoneham.

This Code reflects our commitment to a culture of integrity, accountability and transparency and outlines the basic principles and policies with which all Employees are expected to comply.

Compliance with this Code is a condition to your employment and any violations will be dealt with appropriately. In addition to following this Code in all aspects of our business activities, you are expected to seek guidance in any case where there is a question about compliance with the letter and spirit of our policies or applicable laws or regulations. This Code sets forth general principles and does not supersede the specific policies and procedures that are covered in Stoneham's separate specific charters, terms of reference or policy statements.

### 3. Conflicts of Interest

All Employees of Stoneham must be scrupulous in avoiding a conflict of interest with regard to Stoneham's interests. A "*conflict of interest*" exists when an individual's private interests interfere or conflict with or appear to interfere or conflict with the interests of Stoneham. A conflict of interest may arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her professional obligations objectively and effectively or when he or she otherwise takes action that is inconsistent with the interests of Stoneham for his or her direct or indirect benefit or for the direct or indirect benefit of a third party. A conflict of interest may 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 Stoneham, whether received from Stoneham or a third party.

Conflicts of interest are prohibited as a matter of policy, except as specifically approved by the board of directors (the "**Board**") of the Company and except in accordance with applicable laws and regulations. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with higher levels of management of the Company or the President (the "**President**") of the Company. Any employee, officer or director who becomes aware of a conflict or a potential conflict must bring it to the attention of a supervisor or manager who must thereupon bring it to the attention of the President of the Company or the Chair of the Governance Committee of the Board. Stoneham has implemented a Whistle Blower Policy which will be made available to Employees.

#### **4. Corporate Opportunities**

Employees are prohibited from:

- taking for themselves personally opportunities that properly belong to Stoneham or are discovered through the use of Stoneham property, information or position; and
- using Stoneham property, information or position for personal gain.

#### **5. Accuracy of Stoneham's Records and Reporting**

Stoneham Drilling Limited Partnership is the operating entity of Stoneham Drilling Trust., Stoneham Drilling Trust is listed on the Toronto Stock Exchange and is subject to certain disclosure and reporting obligations under securities laws. Stoneham and its employees must assist Stoneham Drilling Trust in achieving full, fair, accurate, timely and understandable disclosure in reports or other documents that it files with or submits to securities regulators and in its other public communications and to assist it in complying with its obligations under applicable securities law and regulation and to meet the expectations of its stakeholders.

Stoneham's accounting records are relied upon to produce reports for Stoneham Drilling Trust's management, unitholders, 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.

The Chief Executive Officer (the "**CEO**") of the Company and the Chief Financial Officer (the "**CFO**") of the Company, with the assistance of appropriate Committees of the Board, are responsible for establishing and managing Stoneham's financial reporting systems to ensure that:

- all business transactions are properly authorized;
- all records fairly and accurately reflect the transactions or occurrences to which they relate;
- all records fairly and accurately reflect in reasonable detail Stoneham's assets, liabilities, revenues and expenses; and

- no information is concealed from the independent auditors, the Audit Committee of the Board or the Board.

All employees have a responsibility to ensure that:

- Stoneham's accounting records do not contain any false or intentionally misleading entries;
- no transactions are intentionally misclassified as to accounts, department or accounting periods; and
- all transactions are supported by accurate documentation in reasonable detail and recorded in the proper account and in the proper accounting period.

Each employee, officer and director and any person acting under the direction thereof is prohibited from taking any action to fraudulently influence, coerce, manipulate, or mislead any independent public or certified accountant engaged in the performance of an audit of the financial statements of Stoneham for the purpose of rendering such financial statements misleading.

Each employee, officer and director is to exercise the highest standard of care in preparing reports, documents and other public communications, or in ensuring that such reports, documents and other public communications are prepared, in accordance with the guidelines set forth below.

- Compliance with generally accepted accounting principles is required at all times. However, technical compliance with GAAP may not be sufficient and, to the extent that technical compliance with GAAP would render financial information that Stoneham reports misleading, additional disclosure will be required.
- Compliance with Stoneham's system of internal accounting controls is required at all times, and no actions designed to circumvent such controls and procedures will be tolerated.
- Compliance with Stoneham's disclosure controls and procedures is required at all times, and no action designed to circumvent such controls and procedures will be tolerated.

## **6. Compliance with Laws, Rules and Regulations**

The CEO and the CFO are expected to ensure compliance with both the letter and spirit of all applicable laws and governmental rules and regulations. The CEO and the CFO will be responsible for establishing and maintaining procedures to:

- educate Employees about applicable laws and governmental rules and regulations;
- monitor compliance of Employees with applicable law and governmental rules and regulations; and

- identify any possible violations of applicable laws and governmental rules and regulations and report to the Audit Committee of the Board and correct in a timely and effective manner any violations of applicable laws or governmental rules and regulations.

Stoneham's policy is to comply with all applicable financial reporting and accounting regulations applicable to Stoneham. If any employee, officer or director of Stoneham has concerns or complaints regarding questionable accounting or auditing matters of Stoneham or identifies a possible violation of applicable law or regulation, then he or she is required to report such possible violation (anonymously, confidentially or otherwise) to the Audit Committee of the Board which will (subject to its duties arising under applicable law, regulation and legal proceedings) treat such submissions confidentially. Such submissions may be directed to the attention of the Audit Committee of the Board, or any director who is a member of the Audit Committee of the Board, at the principal executive offices of Stoneham.

## **7. Compliance with Environmental Laws**

Stoneham is sensitive to the environmental, health and safety consequences of its operations. Accordingly, Stoneham is in strict compliance with applicable environmental, laws and regulations. If any employee, officer or director 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 the President of the Company.

## **8. Compliance with Competition Legislation**

Every employee, officer and director must comply with applicable competition legislation, the purpose of which is to maintain and encourage competition and prohibit certain behaviour (e.g. agreements with competitors to allocate markets or customers, price fixing or agreements to boycott certain suppliers or customers, bid-rigging, exclusive dealing, etc.). Employees should avoid contact with a competitor relating to the business of Stoneham or the competitor until approval is obtained from the President of the Company.

## **9. Discrimination and Harassment**

Stoneham values the diversity of its Employees and is 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 or a colleague's conduct makes them uncomfortable, and to report harassment to management.

## **10. Confidentiality**

Employees of Stoneham must maintain the confidentiality of confidential information entrusted to them by Stoneham or its suppliers or customers, except when disclosure is authorized or required by applicable law, regulation or legal proceedings. Whenever feasible, an employee, officer or director should consult the President of the Company if he or she believes that he or she has a legal obligation to disclose confidential information. Confidential information includes all non-public information that might be of use to competitors of Stoneham, or harmful to Stoneham or its customers if disclosed. It also includes information that suppliers and customers

have entrusted to Stoneham. Stoneham has a Privacy Policy which sets forth your obligations in respect of Stoneham's confidential information.

## **11. Protection and Proper Use of Stoneham's Assets**

All Employees should endeavor to protect Stoneham's assets and ensure their efficient use. No employee, officer or director may use Stoneham's property for personal use or benefit or for the personal benefit of a third party without express authorization from the President of the Company. Theft, carelessness and waste have a direct impact on Stoneham's profitability. Any suspected incidents of fraud or theft should be immediately reported to the President of the Company for investigation.

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

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

## **12. Insider Trading**

Insider trading is illegal. Employees are not allowed to trade in securities of Stoneham Drilling Trust while in possession of material non-public information regarding Stoneham. 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. Stoneham Drilling Trust has a Disclosure, Communications and Insider Trading Policy, which sets forth your obligations in respect of trading in trust units of Stoneham Drilling Trust.

## **13. Fair Dealing**

Each employee, officer and director should endeavor to deal fairly with Stoneham's customers, suppliers, competitors, officers and employees. None 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.

## **14. Use of Communication Devices including E-Mail and Internet Services**

Stoneham's phone system, faxes, e-mail and Internet are to be used for business purposes only. 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 message that could be viewed as harassment.

Your messages (including voice mail) and computer information are considered property of Stoneham and you should not have any expectation of privacy. 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.

## **15. 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, discounts not available to the general public, travel, accommodation and other merchandise or services. These courtesies can 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, 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. Any gift valued in excess of \$300.00 or any gift that is repeated more than twice from one source should not be accepted without approval of a supervisor or manager. 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:

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

## **16. Compliance Procedures**

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and, when in doubt, about the best course of action in a particular situation. An employee, officer or director who is concerned that violations of this Code or other illegal or unethical conduct by an employee, officer or director of the Stoneham have occurred or may occur should in a timely manner contact his or her supervisor or manager or the President of the Company.

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 your supervisor or manager for guidance.

If you do not feel comfortable discussing the matter with your supervisor or manager, please contact the President of, the Company. Any complaints or concerns you may have related to accounting, internal controls or auditing matters will be passed on to the Audit Committee of the Board to be dealt with and a record of your concern or complaint will be retained for 5 years. The Audit Committee of the Board is composed of director's independent from Stoneham. We strive to ensure that all questions or concerns are handled fairly, discreetly and thoroughly. You need not identify yourself. 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.

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