

**BONAVISTA ENERGY CORPORATION**  
**CODE OF BUSINESS CONDUCT AND ETHICS**

**Introduction**

At Bonavista, we have always recognized the value of growing and developing trusting relationships with our employees, contractors, vendors, landowners, investors and the community at large. These relationships are based on integrity and trust and our commitment to maintaining high ethical standards throughout our day-to-day dealings with others.

For Bonavista's excellent reputation to be maintained, we require the highest standards of professional and ethical conduct from all of our employees. This Code reflects our commitment to a culture of honesty, integrity, respect and accountability and outlines the basic principles and policies with which all employees are expected to comply. Bonavista demands the highest level of personal conduct from all employees and company representatives.

For Bonavista's success to continue, not only must we do what is required by law but we will also do what is "right". The test for this is simple, ask yourself if there is any reason you would not want a co-worker, an associate, a neighbour or the government to be fully aware of your conduct and motives? Is anyone's life, health or safety, or the environment endangered by the action? If these questions cannot quickly be answered no, then you need to re-think your actions and talk to a supervisor. If there is any confusion with regards to complying with both the letter and the spirit of our policies and all applicable laws and regulations you are expected to seek guidance.

Please read this Code carefully. While it takes time to build a reputation of trust and integrity, a single thoughtless or unethical act can destroy what we have carefully built over years.

**Management Commitment**

Bonavista's management are committed to living up to high standards of ethical behaviour and integrity. This Code has been read, discussed and adopted by all of our officers. We believe that effective corporate governance begins with a strong Board of Directors, able to act independently. Our Board consists of a majority of outside, independent directors all of whom have read and committed to this Code.

Every day, decisions are made in the conduct of our business. As individuals, we are all accountable for making the right decisions for the right reasons. This Code of Business Conduct and Ethics provides guidance for our decisions.

Keith A. MacPhail  
Chairman and Chief Executive Officer  
January, 2011

## COMMITMENTS AND RESPONSIBILITIES

### **To our Employees**

Bonavista Energy Corporation, Bonavista Petroleum Ltd. and Bonavista Energy Corporation's subsidiaries, trusts and partnerships (collectively, "**Bonavista**") are committed to treating all employees with dignity, respect and fairness. We will value and respect their rights and their contribution to our success. We will provide compensation and benefits that are fair and competitive with our peers.

Our top priority to our employees is providing a safe and healthy workplace. We must all take responsibility for knowing the health and safety rules that apply to the tasks we perform and for taking the appropriate precautions to protect ourselves and our fellow employees from accidents, injury or unsafe conditions. Accidents, injuries, unsafe equipment, practices or conditions need to be reported immediately. Bonavista will regularly monitor and review its safety performance and strive for continual improvement.

We value the diversity of our employees and are committed to providing equal opportunity in all aspects of employment. Conduct that makes someone feel uncomfortable or unwelcome will not be tolerated. Employees are encouraged to speak out if they have concerns with regards to their workplace environment and report harassment, whether verbal, physical or visual, when it occurs.

### **To Business Integrity**

Bonavista is committed to conducting all of its affairs with honesty, integrity and fairness and expects the same from all of its business partners.

We will deal honestly and fairly with our suppliers, contractors, fellow employees and competitors. We 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.

### ***Accuracy of Bonavista's Records and Reporting***

Honest and accurate recording and reporting of information is critical to our ability to make responsible business decisions. Bonavista's production and accounting records are relied upon to produce reports for Bonavista's management, unitholders, creditors, government 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, departments or accounting periods. All transactions must be supported by the appropriate documentation and comply strictly with prescribed accounting policies, audit procedures and other such controls. We will never destroy or alter documents or records so as to hide the documents or our actions.

Bonavista 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 e-mail, voice mail or memos and hence employees should avoid recording inappropriate notes or comments that would embarrass them or Bonavista should they be made public.

### ***Conflicts of Interest***

As employees we must never let our personal interests interfere with, or appear to interfere in any way with, the interests of Bonavista and/or our ability to perform our work effectively. The ability to make objective business decisions can be compromised if employees have personal interests that conflict with Bonavista's interests. Conflicts 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 Bonavista. Loans to, or guarantees of obligations of, such persons are likely to pose conflicts of interest, as are transactions of any kind between Bonavista and any other organization in which you or a family member have an interest.

Employees, officers and directors are prohibited from taking for themselves opportunities that arise through the use of corporate property, information or position and from using corporate property, information or position for personal gain.

Bonavista is engaged in the oil and gas business. In general, the private investment activities of employees, directors and officers are not prohibited, however, should an existing investment pose a potential conflict of interest the potential conflict should be disclosed to the Chairman and Chief Executive Officer or the Board of Directors. Any other activities of employees which pose a potential conflict of interest should also be disclosed to the Chairman and Chief Executive Officer or the Board of Directors. All such potential conflicts of interests will be dealt with openly with full disclosure of the nature and extent of the potential conflicts of interests with Bonavista.

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

### ***Confidentiality***

In the normal course of our business, employees may become aware of confidential information. Confidential information includes non-public information of a proprietary, technical, business, or financial nature. Confidential information may be our own or may be information from partners, or business associates. In all cases, employees must not disclose confidential information to any person outside of Bonavista unless authorized to do so and must take reasonable care to protect

confidential information from theft or unauthorized access. Employees are obligated to preserve the confidentiality of information entrusted to them even after they leave Bonavista, except when disclosure is authorized or legally mandated.

### ***Privacy***

In conducting our business, Bonavista 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 and in a safe and reliable fashion. This information is only for the appropriate internal use of Bonavista and will not be shared or used for other purposes unless permitted or required by law.

### ***Insider Trading***

The market price of Bonavista Energy Corporation's common shares or other securities is based on public knowledge about our results and prospects. The markets rely on all participants having equal access to all public information. As employees, from time-to-time, we have material knowledge about Bonavista 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. Bonavista's directors, officers and employees are expected to comply with Bonavista's Disclosure Policy which addresses insider trading.

### ***Protection and Proper Use of Bonavista's Assets***

We are each entrusted with Bonavista's assets that we must protect from loss, damage, misuse or theft. Bonavista's assets may only be used for legitimate business purposes and may never be used for illegal purposes.

The obligation to protect Bonavista's assets is not limited to physical assets but extends to proprietary information. Proprietary information includes any information that is not generally known to the public, would be helpful to our competitors, or harmful to our competitive positions.

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

Compliance with both the letter and the 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 all jurisdictions in which we operate. Failure to comply with this Code will result in disciplinary action which may include termination of employment with Bonavista.

### ***Compliance With Competition Laws***

Bonavista believes in fair and open competition, and strictly adheres to the requirements of competition laws. These laws generally prohibit collusion between firms and other unfair business conduct that would lessen competition.

### ***Compliance with Environmental Laws***

Bonavista takes its responsibility to conduct its business in a safe and reliable manner with respect for the environment very seriously. Bonavista will strictly comply with all environmental legislation in all aspects of our work. Bonavista 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.

### ***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 create no 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. If the invitation is for an event where the value being received may be significant, officer approval is required, or in the case of the Chairman and Chief Executive Officer, approval by the Chair of the Governance Committee of the Board. Furthermore where transportation costs for events are significant, payment of these costs by another party is not acceptable and will be covered by Bonavista if there is a valid business reason to accept the invitation.

### ***Use of Bonavista Computers***

Bonavista provides computers and internet access to assist employees in their work. Incidental and occasional personal use is permitted, but never for personal gain or any improper purpose. Bonavista has a formal policy with regards to the use of Bonavista computers and information technology equipment that all employees are expected to be aware of and comply with. Violation of these policies may result in disciplinary actions up to and including termination of employment with Bonavista.

### ***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 Bonavista's. These activities should not be conducted on Bonavista time or involve the use of any company resources such as telephones, computers or supplies unless specifically approved by an officer of Bonavista.

There are laws and regulations pertaining to political contributions made both in dollars and in "kind". Where Bonavista deems appropriate, it may occasionally choose to make such

contributions but only when authorized by the Chairman and Chief Executive Officer, and only when the contribution is legal and appropriate for corporations such as Bonavista.

#### ***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. We will comply with the laws of Canada and other jurisdictions in which Bonavista may operate prohibiting improper payments to domestic and foreign officials. While these laws permit "facilitating" payments, Bonavista's policy is to avoid such payments. Violation of this policy may result in disciplinary actions up to and including termination of employment.

#### ***Reporting of Illegal or Unethical Behaviour or Accounting Related Complaints***

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 any concerns they have about violations of laws, rules, regulations or this Code or in relation to any questionable accounting, auditing or financial reporting. Reference is made to our whistleblower section in Bonavista's Disclosure Policy as to an available procedure for the submission of matters through a confidential anonymous process. Bonavista will not allow any retaliatory action against any employee who, in good faith, reports a possible violation or concerns.

#### ***Compliance Procedures***

This Code 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 this policy or procedure and where you must make a judgment as to the appropriate course of action. In those circumstances you are encouraged to use your common sense and to contact your supervisor, manager or other appropriate person for guidance. Reference is made to our whistleblower section in Bonavista's Disclosure Policy as to an available procedure for the submission of matters through a confidential anonymous process.