



## HAMMERHEAD RESOURCES INC.

**Anti-Corruption Policy**

November 27 2018

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Hammerhead Resources Inc. (“Hammerhead Resources” or the “Company”) is committed to operating in accordance with the highest ethical and professional standards. Accordingly, the Company will conduct all of its business dealings with honesty and integrity. The Company also expects all of its directors, officers, employees, partners, contractors, consultants, and agents to conduct business in accordance with the law and highest standards of ethical behavior.

## 1 SCOPE

- 1.01 This Anti-Corruption Policy (or “Policy”) is a central component in Hammerhead Resource’s approach to compliance. It is our policy that Hammerhead Resources and all of its affiliates, as well as the joint ventures it controls; all Company officers, directors, and employees (collectively, Employees, or if referring to an individual, Employee); and all agents, contractors, consultants, representatives, and business partners, including their employees, working on the Company’s behalf (collectively, “Representatives”) shall act in compliance with all applicable international anti-corruption laws and regulations, including the Corruption of Foreign Public Officials Act (CFPOA), the U.K. Bribery Act 2010 (UKBA), the U.S. Foreign Corrupt Practices Act (FCPA), and anti-bribery and anti-corruption laws and regulations in other countries in which Hammerhead Resources might conduct business (collectively, Anti-Corruption Laws).

## 2 GENERAL ANTI-CORRUPTION PROHIBITION

- 2.01 Pursuant to this Anti-Corruption Policy, the Company will not participate in or sanction any form of corruption. Neither the Company nor outside parties acting on its behalf will engage in bribery to obtain or provide any type of benefit. Similarly, the Company will not accept bribes or be used by any other party to facilitate bribery. These prohibitions extend to all types of bribery, including traditional monetary payments and kickbacks, inappropriate or lavish hospitality (including gifts, travel, entertainment, or other expenses), and the provision of anything else of value with the intent to improperly influence.

Anti-Corruption Laws and, accordingly, this Anti-Corruption Policy, prohibit Employees and Representatives working on Hammerhead Resource’s behalf from giving, paying, promising, offering, authorizing, or otherwise attempting, directly or indirectly (through another party), to anyone, including any Government Official (as defined in Section 4.01, below):

- a) The payment of anything of value (such as money; gifts, travel, meals, entertainment, or other hospitality; or intangibles, such as job offers, investment opportunities, and favors); or
  - b) Improperly influencing or persuading any person to help the Company (or anyone else) secure an improper business advantage (such as the award of an exploration block, regulatory approval, or preferential conditions in a purchase agreement with a state-owned enterprise).
- 2.02 The Policy similarly prohibits Employees and Representatives working on Hammerhead Resource’s behalf from soliciting or receiving any form of bribe or kickback in connection with any Company business. Note also that personal funds or resources may not be used to make payments that are otherwise inconsistent with this Policy.
- 2.03 While Hammerhead Resource’s prohibitions on bribery extend to dealings with anyone, public or private, interactions with Government Officials present heightened corruption risk under Anti-Corruption Laws, and thus receive special attention in the requirements and procedures within this Policy.

### **3 CHIEF COMPLIANCE OFFICER**

3.01 The implementation and application of Hammerhead Resource's Anti-Corruption Policy is overseen by the Chief Compliance Officer (CCO), who is also the Chief Financial Officer of Hammerhead Resources. The CCO's responsibilities include, among other things:

- a) Receiving and responding to questions, reports, or complaints on adherence to the Anti-Corruption Policy;
- b) Investigating possible violations of any Anti-Corruption Laws or the Anti-Corruption Policy, except where the Board determines that an independent investigation is warranted;
- c) Managing the Company's anti-corruption compliance training program, including the requirement that Employees complete an annual certification of compliance; and
- d) Reporting to the Board (or Audit Committee of the Board) regularly, through written or verbal reports, on the status of the Company's compliance with the Anti-Corruption Policy and any practical issues that have arisen in connection with administration of this Policy.

### **4 DEFINITION OF A GOVERNMENT OFFICIAL**

4.01 For the purposes of this Anti-Corruption Policy, the term "Government Official" is interpreted broadly and includes:

- a) Any elected or appointed official of a local, state, provincial, regional, or national government body, department, or agency, whether in the executive, legislative, administrative, or judicial branches of government;
- b) Any government employee (including part-time or unpaid government workers), or anyone "acting in an official capacity" (that is, acting under a delegation of authority from a government to carry out government responsibilities);
- c) Any official, representative, or employee of an entity that is under full or partial ownership or control by a government, including employees of state-owned companies and instrumentalities, are officials for purposes of this Code, even if the companies are operated like privately-owned corporations;
- d) The close relatives of any Government Official (such as spouses, dependents, or immediate family).

### **5 THIRD-PARTY RELATIONSHIPS**

5.01 If Hammerhead Resources uses Representatives, such as consultants or providers of operational services, certain safeguards must be applied. These safeguards will vary depending upon the risk presented by each third party. Because Representatives act on Hammerhead Resource's behalf, and because Anti-Corruption Laws prohibit bribery through intermediaries, Hammerhead Resources may be criminally liable for the misconduct of a Representative if the Company knows, has reason to know, or ignores indications that the Representative will engage or is likely to engage in bribery.

5.02 To address the corruption-related risks presented by working with Representatives, Hammerhead Resources must take steps to ensure the Company only works with qualified and ethical Representatives and monitors its relationships with Representatives for any "red flags" (see a list of common red flags below). As part of this process, the Company subjects all prospective (and, sometimes, existing) Representatives to a level of due diligence that best reflects their risk profile.

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- 5.03 At a minimum, all Hammerhead Resources relationships with Representatives must include a general prohibition against corrupt payments; must not authorize payments to government officials without express written approval, must be accompanied by a business justification, must have appropriate due diligence conducted on the third party, and must include appropriate anti-corruption contractual safeguards.
- 5.04 Any Employee who loses confidence that a Representative will act consistently with the Company's standards, or who observes "red flags" indicating potentially inappropriate behavior, must report his or her concerns to the CCO for further action
- 5.05 There is no exhaustive list of "red flags" related to Representatives, but some common red flags include the following:
- a) Excessive compensation, or compensation above the "going rate";
  - b) Agreements that include only vaguely described services;
  - c) The Representative is in a different line of business than that for which it is being engaged or the Representative's only qualification is influence;
  - d) The Representative has a flawed, controversial, or questionable background or reputation, or the Representative's background or reputation is difficult to find out or establish;
  - e) The Representative is suggested by a client or Government Official, particularly one with discretionary authority over the Company's work;
  - f) The Representative objects to anti-corruption and anti-bribery compliance representations in agreements;
  - g) The Representative has a close personal or family relationship, or a business relationship, with a client or Government Official, or a relative of such individuals;
  - h) The Representative requests payment arrangements that raise local law issues or unusual contract terms, such as payments ahead of schedule, payment in cash, payment in another country's currency, payment to an offshore bank account, or the Representative is located in an offshore jurisdiction;
  - i) Due diligence reveals that the Representative is a shell company or has some other unorthodox corporate structure;
  - j) The Representative requires that his or her identity or, if the Representative is a company, the identity of the company's owners, principals or employees, not be disclosed;
  - k) A lack of transparency in the Representative's expenses and accounting records; or
  - l) The transaction involves a country known for corrupt payments or other illicit financial dealings.
- 5.06 In general, any fact that puts into question whether the Representative is providing a necessary service at a reasonable market price is a red flag. The presence of a red flag does not necessarily mean that a Representative relationship cannot go forward. But it does suggest a need for greater scrutiny and safeguards against a potential violation. Red flags identified after a Representative's retention must be reported to the CCO.

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## **6 JOINT VENTURES, PARTNERSHIPS, AND ACQUISITIONS**

- 6.01 When evaluating and before finalizing potential joint ventures, acquisitions, joint operating agreements, or similar business initiatives, the Company must ensure that its potential business partners or acquisition targets have not violated and will continue to comply with all applicable Anti-Corruption Laws. Under Anti-Corruption Laws, Hammerhead Resources can be liable for past, ongoing, or future violations of companies it partners with or acquires, even if Hammerhead Resources has no knowledge of these violations.
- 6.02 To address this risk, all potential Hammerhead Resources joint ventures, joint operating agreements, acquisitions, and similar business initiatives must undergo a risk-based due diligence review, tailored to the unique circumstances of the proposed initiative, to understand and appropriately mitigate the risk exposure. Hammerhead Resources must actively monitor the activities of its joint ventures, joint operating agreements, partnerships, and the companies it acquires to ensure continuing compliance with Company policy and all applicable laws.

## **7 GIFTS AND ENTERTAINMENT (HOSPITALITY)**

- 7.01 The restrictions of Anti-Corruption Laws extend to many forms of gifts, entertainment, travel, meals, accommodations, and other hospitality when provided for the benefit of Government Officials and, sometimes, other third parties. Requirements regarding gifts and entertainment are noted in the Code (section 6.20). While all these forms of hospitality are things of value that may, if provided for an improper purpose, qualify as bribery, the Company may spend reasonable amounts of money to provide hospitality to create a legitimate opportunity to discuss business, so long as the expenditure is not intended to, and would not create an appearance that it was intended to, motivate a party to give the Company any type of advantage. For example, an Employee may spend a reasonable amount on bona fide meals, gifts, travel, and other hospitality that are (i) directly related to the promotion, demonstration, or explanation of the Company's business, or (ii) incurred in the course of executing or performing a contract. Thus, under appropriate circumstances, acceptable expenditures can include the provision of inexpensive gifts (such as Company-branded promotional items and modest gifts reflecting goodwill on holidays), reasonable meals and entertainment, or standard Company-sponsored travel (including, for example, a site visit to the Company's facilities).
- 7.02 When providing gifts, entertainment, travel, or other forms of hospitality, the Company must be careful to ensure that such expenditures are appropriate and do not cross the line into bribery, particularly where Government Officials are involved.
- 7.03 When providing hospitality (including any gifts, entertainment, travel, meals, etc.) to a Government Official, Employees must receive written approval from the CCO or the CCO's designee.
- 7.04 The Employee making an expenditure must properly document the expenditure for the Company's records.
- 7.05 As an absolute rule, no Employees may encourage or solicit gifts, entertainment, meals, travel, or other hospitality in connection with any Company business. Employees are also strictly prohibited from accepting hospitality in exchange for steering or awarding business to another party, or if it would materially affect the outcome of the Company's discussions with the party or create an appearance of impropriety.

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- 7.06 Subject to the above, Employees may accept inexpensive and reasonable hospitality in connection with existing or prospective Company business, or from a person or entity associated with existing or prospective business with the Company. If, however, the hospitality to be received might give the appearance of undue influence or is lavish or excessive, Employees must receive pre-approval from the CCO or the CCO's designee; if pre-approval is impossible to obtain because of timing or other good faith reasons, the Employee receiving the gift or other hospitality must report its receipt to the CCO or the CCO's designee as soon as possible after its receipt. If a gift has been received but, given the circumstances, the gift is determined to be inappropriate, the CCO may require the gift be returned to the originator.
- 7.07 Employees must also avoid any conflicts of interest that may arise when providing or accepting hospitality, particularly involving Company suppliers and other entities. The following section addresses conflicts of interest in the context of hospitality and more broadly.

## **8 CONFLICTS OF INTEREST**

- 8.01 Pursuant to section 6.10 of the Code, Hammerhead Resources requires its Employees and Representatives, when acting on behalf of Hammerhead Resources, to devote professional attention to the interests of the Company and its customers above their own personal interests or the interests of others. A conflict of interest exists when an Employee's or Representative's personal interest or position in a transaction or situation interferes or has the potential to interfere in any way with the interests of the Company.

## **9 CHARITABLE AND POLITICAL CONTRIBUTIONS**

- 9.01 Hammerhead Resources may periodically make reasonable contributions to support local charities and the communities in which the Company does business. Since corrupt payments can be made under the guise of charity, however, the Company must have assurances that the contributions it makes will be used for their stated purpose – not for bribery. To mitigate the risks surrounding charitable contributions, all charitable donations in excess of ten thousand dollars (\$10,000) on behalf of the Company or in any way related to Company business must be approved by the President and CEO and CCO, pursuant to section 6.24 of the Code. The CCO will take appropriate compliance steps with respect to any prospective contribution, including ascertaining the background and profile of the entity receiving the contribution, ensuring an appropriate form of payment and written documentation evidencing the contribution's legitimate purpose, and applying any other safeguards required under the circumstances.
- 9.02 As noted in section 6.24 of the Code, Employees may participate in political activities outside of their employment obligations with Hammerhead Resources, and will not be reimbursed for any expenses related to such activities unless such reimbursement has been previously authorized in writing by the President and CEO.

## **10 FACILITATING PAYMENTS**

- 10.01 "Facilitating payments" are small payments made to a Government Official to facilitate or expedite the performance of "routine" government acts, including *non-discretionary* actions such as obtaining official documents, processing paperwork or providing postal or utility services. Because of the many legal and ethical issues they pose, **Hammerhead Resources prohibits the use of facilitating payments.**

## 11 RECORD-KEEPING AND INTERNAL CONTROLS

- 11.01 Anti-Corruption Laws require Hammerhead Resources to keep accurate books and records in reasonable detail. This means that all expenditures must be accurately and completely described and properly accounted for in Hammerhead Resource's books and records. Any failure of Hammerhead Resource's books and records to accurately and fairly reflect the transactions and dispositions of the Company's assets, including hospitality expenses, should be reported to the CCO. Records should be maintained in accordance with Hammerhead Resource's document retention practices. See section 6.13 of the Code.
- 11.02 Employees must be careful to abide by Hammerhead Resource's accounting policies and procedures, should authorize payment of only legitimate invoices for work actually performed, and may never authorize payment of expenses that are unusual, excessive, inadequately described, insufficiently documented or that otherwise raise questions of legitimacy. Employees must also take all reasonable care to ensure that all information provided to auditors is accurate.
- 11.03 All expenditures must be accurately and completely described and properly accounted for in Hammerhead Resource's books and records. When incurring expenses on the Company's behalf, Employees and Representatives must promptly prepare and submit detailed expense reports in a manner acceptable under the Company's accounting controls (including the use of a particular form, if so required by the CCO or any Company policy for the expense at issue).

## 12 EDUCATION AND TRAINING

- 12.01 The CCO will provide anti-corruption training (or arrange for such training to be provided) at least annually to all Company Employees who encounter compliance-related risks by virtue of their roles in the Company.

## 13 INTERNAL REPORTING AND NON-RETALIATION

- 13.01 Employees and Representatives are required to report any knowledge, awareness, or suspicion of a potential violation of the Anti-Corruption Policy or any Anti-Corruption Laws pursuant to Hammerhead Resource's Whistleblower Policy and section 6.31 of the Code. To report a potential violation or raise questions or concerns about Company policies, applicable laws or regulations, or any past or proposed behavior, you can contact the CCO, your supervisor, an Executive, the President & CEO, or email [ethics@hammerhead.com].
- 13.02 Failure to report a known or suspected violation of the Anti-Corruption Policy or any Anti-Corruption Laws is grounds for discipline up to and including termination of employment.
- 13.03 Every Employee has the right to address ethical concerns in good faith without fear of punishment or harassment from co-workers, supervisors, or senior management. **Hammerhead Resources forbids retribution or retaliation of any kind against Employees who in good faith report potential or actual violations of policy or law** (see also section 6.03 of the Code). All pertinent communications will be treated with courtesy and discretion. The Company will honor requests for anonymity, except where disclosure is compelled by law. Furthermore, confidentiality will be protected to the extent possible, consistent with law and corporate policy.

## 14 PENALTIES

- 14.01 Potential violations of Hammerhead Resource's Anti-Corruption Policy or Anti-Corruption Laws will be investigated and, if necessary, remediated. Individuals who violate these policies will be subject to discipline, up to and including termination, pursuant to section 6.32 of the Code.

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14.02 Any person found to have made or otherwise assisted in making a corrupt payment, as well as the person or entity on whose behalf the payment is made, may also be subject to civil and criminal penalties, regardless of the nationality of the persons involved. Civil penalties may include monetary fines, and criminal penalties may include both fines and imprisonment. The Company is prohibited from paying any such fines on behalf of any Employee.