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## **WHISTLE BLOWER POLICY**

**(As adopted on September 30, 2008)**

**ISSUED BY:** Audit Committee of the Board of Directors

**APPROVED BY:** Board of Directors

**ISSUE DATE:** September 30, 2008

### **PURPOSE AND STATEMENT OF POLICY**

Epsilon employees, officers and directors are encouraged to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. To promote these high standards of conduct, in addition to the Code of Business Conduct and Ethics ("Code"), this Whistle Blower Policy has been adopted by the Board of Directors to set up key procedures to ensure prompt and consistent action against unethical or illegal conduct.

This policy establishes the standards and procedures for the Audit Committee in handling the following:

- a) Complaints or concerns regarding accounting, internal accounting controls or auditing matters, including any concerns regarding questionable accounting, override of internal controls or auditing practices (referred to as "Accounting Concerns"),
- b) The reporting of confidential anonymous submission by employees, officers, and directors of known or suspected violations of laws, rules, regulations or Epsilon's Code of Business Conduct and Ethics ("Code") which are received directly or through Epsilon's third-party Compliance Hotline (such reporting being referred to as "Reporting Violations").

To further encourage and enable employees, officers and directors to raise serious concerns within the Company, this policy strictly prohibits all Epsilon personnel and agents from retaliating ("Prohibited Retaliation") in any manner against any Epsilon employee or other person for; (a) submitting communications to Epsilon's Audit Committee regarding Accounting Concerns (b) engaging in Reporting Violations (c) providing truthful information relating to the violation or possible violation of any state or federal law, rule or regulation, in either case to (1) any Epsilon personnel, (2) any state or federal regulatory or law enforcement agency, or (3) any member of any state or federal legislative body or committee thereof, or (d) Participating or assisting in any proceeding relating to any of the foregoing.

An employee, officer or director who retaliates against someone who has reported a violation, complaint or concern in good faith is subject to discipline up to and including termination of employment.

The following procedures shall be followed to implement this policy:

## **I. ACCOUNTING CONCERNS**

An employee, officer, or director of Epsilon should notify the Audit Committee of any issues or concerns raised by third parties as soon as they are aware of such issues in the financial statement disclosures, accounting, internal accounting controls or auditing matters and if they have witnessed operating, accounting or auditing practices that they feel are inappropriate or wrong and which are material. The employee, officer or director should report their concerns in sufficient detail to enable the recipient of the complaint to investigate. When reporting such concerns they may either identify themselves or report anonymously.

The following are some examples of the types of concerns or complaints that may be reported:

- a) Fraud or intentional error in the recording and maintaining of financial records of Epsilon
- b) Fraud or intentional error in the preparation, evaluation, review or audit of the financial statements of Epsilon
- c) Deficiencies in or non-compliance with the internal accounting controls;
- d) Misrepresentation or false statement to or by an officer or accountant regarding an accounting position taken in the financial records, financial reports or audit reports
- e) Deviation from full and fair reporting of the company's financial condition
- f) Fraud or intentional errors in the collection, compilation and reporting of reserve data

The Audit Committee may enlist consultants or employees of the Corporation and/or outside legal, accounting or other advisors, as appropriate, to conduct the investigation of a submission regarding financial statement disclosures, accounting, internal accounting controls, or auditing matters. In conducting an investigation, the Audit Committee will use reasonable efforts to protect the confidentiality or anonymity of the consultant or employee who made the applicable submission, to the extent the identity of such consultant or employee is known to the Audit Committee, if that is the desire of the particular employee or consultant.

## **II. REPORTING VIOLATIONS**

The Code addresses the issue of raising concerns related to violations of the Code or any other law or regulation and encourages employees, officers and directors to share their questions, concerns, suggestions or complaints with someone who can address them properly. Some examples of reportable events include: Theft, embezzlement, financial impropriety or wrongdoing, bribes or illegal gifts, overriding of internal controls, and other violations of law or corporate policy.

In most cases, an employee's supervisor is in the best position to address an area of concern. However, if the employee or officer is not comfortable speaking with their direct reporting manager or are not satisfied with their manager's response, they are encouraged to speak with anyone on the management team whom they are comfortable in approaching. In the event they are uncomfortable approaching a member of the management team, individuals should report their concerns to the Chair of the Audit Committee pursuant to the Policy procedures outlined below.

### **III. PROCEDURES**

#### **A. Content of Notification and/or Complaint**

Any employee, officer or director may deliver a formal complaint in writing (email or U.S. mail) or orally, in person or over the telephone. The complaint should include as much specific information as possible, including names, dates, places and events that took place, why the incident may be a violation of law or policy, and what action is recommended to be taken. Anonymous written or telephonic communications will be accepted. If the complaint is provided to the Chairperson of the Audit Committee the complaint must be in writing.

#### **B. Receipt of Notification**

Epsilon has appointed Michael Talmage as Epsilon's Audit Committee Chairman to act as agent to receive communications regarding Accounting Concerns or Reporting Violations. Such communications may be submitted confidentially and/or anonymously, at the election of the submitting party, to the Audit Committee Chair using either the Whistle Blower Hot Line or Website as set out in Exhibit "A" attached.

#### **C. Substitute Notification**

If the Audit Committee Chair is alleged to have been involved in the matters giving rise to the Accounting Concern, communications regarding the Accounting Concern may be submitted confidentially and/or anonymously, at the election of the submitting party, to Kurt Portmann (Substitute Investigating Director) from the Audit Committee using either the Whistle Blower Hot Line or Website as set out in Exhibit "A" attached.

#### **D. Handling of Communications**

All communications regarding Accounting Concerns and Reporting Violations shall promptly be forwarded by the initial recipient thereof to the Chairman of the Audit Committee in the form received (or, in the case of telephonic communications through the Compliance Hotline, in the form of a written transcript) and in the manner directed by the Audit Committee. Such communications may be preceded, accompanied or followed by summaries or commentaries prepared by the initial recipient thereof (or by the Audit Committee Chair), as directed by the Audit Committee.

#### **E. Response to Accounting Concerns**

The Audit Committee shall take or cause to be taken such investigative, remedial or other actions in response to any communication regarding Accounting Concerns or Reporting Violations as the Audit Committee, in the exercise of its business judgment, deems appropriate.

#### **F. Document Retention**

The Audit Committee shall retain or cause to be retained any communication regarding Accounting Concerns, together with such related materials as the Audit Committee may deem appropriate but in no event less than required by an applicable law, rule or regulation, for a period of five years (or such other period as the Audit Committee may deem appropriate).

### **IV. PROHIBITED RETALIATION**

#### **A. Content of Notification of Retaliation**

Any communication alleging Prohibited Retaliation (a "Retaliation Complaint") should be in writing and should include a sworn statement, under penalty of perjury, that the allegations contained in the communication are true or are believed by the submitting party to be true. Such communications should be submitted to the Audit Committee Chair (or substitute investigating director) at the mailing address set forth above as applicable.

#### B. Timing of Filing Retaliation Complaint

Any Retaliation Complaint submitted to the Audit Committee Chair (or the Audit Committee) should be filed within 90 days of the alleged Prohibited Retaliation.

#### C. Investigation by the Audit Committee Chair or a Substitute Investigating Director

1. When a Retaliation Complaint is submitted to the Audit Committee Chair (or the Audit Committee), the Audit Committee Chair (or a substitute investigating officer appointed by the Audit Committee) shall promptly investigate the Prohibited Retaliation alleged in the Retaliation Complaint.
2. The Audit Committee Chair (or substitute investigating Director) shall present his or her findings resulting from such investigation to the Audit Committee as promptly as practical.
3. In connection with any such investigation, the Audit Committee Chair (or substitute investigating Director) shall provide to the person accused of Prohibited Retaliation a copy of the Retaliation Complaint and any documents on which the Audit Committee Chair (or substitute investigating Director) intends to rely in connection with the investigation. The person accused of Prohibited Retaliation shall be provided the opportunity to respond to the Retaliation Complaint and to file a written statement, which will be made part of the record submitted to the Audit Committee.
4. If for any reason the Audit Committee Chair's (or substitute investigating Director's) activities with respect to a Retaliation Complaint are terminated before findings are sent to the Audit Committee, the records of such investigation shall be sealed and shall be released only to the Audit Committee and as required by law.

#### D. Audit Committee Chair's or Substitute Investigating Director's Decision

The Audit Committee Chair (or substitute investigating Director) will reach a decision regarding the Retaliation Complaint and will communicate that decision to the complainant and to the person accused of Prohibited Retaliation. Such communication will not describe any disciplinary action which may be taken in connection with the Retaliation Complaint.

#### E. Disciplinary Actions

The Audit Committee Chair (or substitute investigating Director) shall determine the appropriate disciplinary action, if any, to be initiated against any Epsilon employee or officer found to have engaged in Prohibited Retaliation. For a Director of Epsilon, the Audit Committee Chair (or substitute investigating Director) shall not initiate disciplinary action, but shall make a recommendation to the Board of Directors, which shall then, if appropriate, initiate disciplinary action.

F. Appeal of the Decision

Decisions of the Audit Committee Chair (or substitute investigating Director) may be appealed to the Audit Committee within 90 days after the Audit Committee Chair (or substitute investigating Director) communicates his or her decision to the complainant and the person accused of Prohibited Retaliation.

**WHISTLEBLOWER POLICY**

I understand that my signature below indicates that I have read and understand Epsilon Energy, Ltd's Whistleblower Policy. I understand that the Chief Financial Officer is available to answer any questions I have regarding the Code and I will comply with the Code for as long as I am a \_\_\_\_\_ of Epsilon

Signed \_\_\_\_\_

Printed Name \_\_\_\_\_

Title and/or Department \_\_\_\_\_

Date \_\_\_\_\_

## **EXHIBIT “A”**

### **“Whistleblowing Compliance Hotline”**

As part of the Audit Committee requirements, Epsilon must provide a procedure for the confidential and anonymous reporting of questionable accounting or auditing procedures to their employees. In an effort to offer our employees complete anonymity and confidentiality we have retained Global Corporate Compliance Inc. to monitor this procedure.

This service enables you to contact them by any of the methods below:

- Via their website at [www.globalcci.com](http://www.globalcci.com). Login ID: Epsilon
  - Password: E5energy
  - Toll free telephone line that has been dedicated solely to this service  
1-877-266-2579
  - Toll free fax 1-877-216-8459
- \*Both the toll free phone and fax lines are available in Canada and the United States.

Once you have reached their website this is what you will see.



For all your  
Public Company  
Reporting Requirements