

THE KEG ROYALTIES INCOME FUND
WHISTLEBLOWING POLICY

March 8, 2006

THE KEG ROYALTIES INCOME FUND
(the “**Fund**”)

WHISTLEBLOWING POLICY

1. Purpose of the Policy

The audit committee (the “**Audit Committee**”) of the Board of Directors (the “**Board**”) of The Keg GP Ltd. (the “**Corporation**”), the managing general partner of The Keg Rights Limited Partnership, is responsible for establishing procedures for:

- (i) the receipt, retention and treatment of complaints received by the Fund or the Corporation regarding accounting, internal accounting controls and auditing matters; and
- (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

and in connection therewith, the Board has adopted this Policy entitled “Whistleblowing Policy” (which, together with the Schedules hereto, is collectively called the “**Policy**”).

Such complaints and concerns are referred to as “**Complaints**” in this Policy. Examples of Complaints are set out in Schedule “A” to this Policy. The Board has adopted this Policy to ensure that:

- (i) Complaints are received, investigated and retained on a confidential and anonymous basis that is in compliance with all applicable laws; and
- (ii) Staff (as defined below) shall not be penalized or retaliated against for making a good-faith report of a Complaint (see Section 5 below).

2. Policy Oversight

The Audit Committee has the responsibility of overseeing this Policy and compliance by all Staff. The Audit Committee has delegated the administration of this Policy to the Chair of the Audit Committee (the “**Chair**”). Contact information for the Chair is set out in Schedule “B” to this Policy.

3. Reporting of Complaints

All trustees, directors, officers and employees of the Fund and its divisions, subsidiaries and affiliates (who are referred to as “**Staff**”) are required to promptly report any Complaints.

Schedule “C” to this Policy sets out the procedures to be followed by Staff to report Complaints to the Chair. Complaints can be reported in an anonymous (if so desired) and confidential manner.

4. Confidentiality

The Fund is fully committed to maintaining procedures for the anonymous and confidential reporting of Complaints by Staff. All reports of Complaints shall be treated on a confidential basis and, if desired by the person reporting the Complaint, shall be treated on an anonymous basis. Generally, a report of a Complaint shall only be disclosed to those persons who have a need to know in order to properly carry out an investigation of such Complaint in accordance with the procedures referred to in Section 7 and Schedule “E” of this Policy.

5. Prohibition on Retaliation

There shall be no retaliation or other action taken against any member of Staff who, in good faith, reports a Complaint. Anyone engaging in retaliatory conduct shall be subject to disciplinary action by the Fund or the Corporation, which may include termination.

More specifically, neither the Fund, nor any person acting on behalf of the Fund or in a position of authority in respect of Staff, shall take any disciplinary measure against, demote, terminate or otherwise adversely affect the employment of any Staff or threaten to do so with the intent to compel a member of Staff to abstain from reporting a Complaint to a law enforcement and/or regulatory authority or with the intent to retaliate against the member because the Staff member has reported a Complaint to a law enforcement and/or regulatory authority. Engaging in retaliatory conduct may be considered an offence under various Canadian laws.

Any member of Staff who reports a Complaint in bad faith, in the opinion of the Audit Committee, may be subject to discipline, which may include termination.

6. Publicizing the Process for Reporting Complaints

Schedule “D” to this Policy sets out the procedures the Fund shall follow to make known to Staff the reporting process for Complaints and to communicate reminders of the process to Staff.

7. Investigation of Complaints and Reporting Results

Schedule “E” to this Policy sets out the timing and procedures the Fund shall follow regarding the manner of investigating Complaints, monitoring the status of investigations of Complaints and reporting to the Audit Committee.

8. Retention of Complaints Received and Investigations Conducted

Schedule “F” to this Policy sets out the procedures the Fund shall follow regarding the retention of Complaints received, including the type of documentation to be retained in respect of each Complaint and its investigation.

9. Policy Review

This Policy and its effectiveness shall be reviewed by the Audit Committee at least annually. The Audit Committee has the authority to amend as it considers necessary any of the Schedules to the Policy save and except Schedule “E” – Procedures for Investigating Complaints and Reporting Results. The Audit Committee shall recommend to the Board for consideration any

amendments to the body of the Policy or to Schedule “E” that the Audit Committee considers necessary. Amendments, if any, to the Policy shall be made known in accordance with Schedule “D” hereto.

10. Inquiries

Any questions with respect to the general application of this Policy should be made to the Chair.

**SCHEDULE “A” TO THE
THE KEG ROYALTIES INCOME FUND WHISTLEBLOWING POLICY**

EXAMPLES OF COMPLAINTS

By way of example, Complaints which should be reported pursuant to this Policy, include without limitation:

- (a) use of funds or property of the Fund for any illegal, improper or unethical purpose (for example, fraud, theft of corporate property or embezzling funds, misappropriating funds, assets or corporate information, bribes, kickbacks or influence payments or misdirecting funds to related parties);
- (b) tampering with any accounting or audit-related records or documents of the Fund (in any format, including electronic records such as e-mails) or improperly destroying any accounting or audit-related records or documents;
- (c) fraud or deliberate error in the preparation, evaluation, review or audit of any of the Fund’s financial statements;
- (d) fraud or deliberate error in the recording and maintaining of the Fund’s financial records (for example, overstating expense reports, falsifying time sheets, preparing erroneous invoices, misstating inventory records or describing an expenditure for one purpose when, in fact, it is being made for something else);
- (e) deficiencies in or non-compliance with the Fund’s internal accounting controls (for example, circumventing review and approval procedures);
- (f) misrepresentations or false statements to or by a senior officer or accountant regarding a matter contained in the Fund’s financial records, financial reports or audit reports;
- (g) deviation from full and fair reporting of the Fund’s financial condition, results of operations or cash flows; and
- (h) any effort to mislead, deceive, manipulate, coerce or fraudulently influence any internal or external accountant or auditor in connection with the preparation, examination, audit or review of any financial statement or records of the Fund.

Non-financial matters, which are not considered Complaints, should not be reported under this Policy. Any such questions, concerns and complaints should be reported in the normal manner.

**SCHEDULE “B” TO THE
THE KEG ROYALTIES INCOME FUND WHISTLEBLOWING POLICY
CONTACT INFORMATION FOR THE CHAIR OF THE AUDIT COMMITTEE**

Staff can reach the Chair of the Audit Committee at the following contact information:

Christopher Charles Woodward
c/o Suite 2001
1177 West Hastings Street
Vancouver,BC
V6E 2K3
Tel: (604)-682-7661
E-mail: woodcorp@woodcorp.ca

**SCHEDULE “C” TO THE
THE KEG ROYALTIES INCOME FUND WHISTLEBLOWING POLICY
PROCEDURES FOR REPORTING COMPLAINTS**

Staff may report Complaints to the Chair on a confidential basis as follows:

- (a) A member of Staff wishing to report a Complaint should refer the Complaint to the Chair, who shall treat all disclosures in confidence and shall involve only those individuals who need to be involved in order to investigate such Complaint.
- (b) The Complaint should be in writing, which may be on an anonymous basis. The Complaint should be specified in detail in a letter in a sealed envelope marked “Confidential” which should be sent to the Chair at the address set out in Schedule “B”. In the alternative, the Chair may be contacted by telephone or by email as set out in Schedule “B”.

Complaints Received from Members of the Public

Any member of Staff who receives a Complaint from a member of the public should advise the person to report his or her Complaint directly to the Chair.

**SCHEDULE “D” TO THE
THE KEG ROYALTIES INCOME FUND WHISTLEBLOWING POLICY
PROCEDURES FOR PUBLICIZING THE PROCESS FOR
REPORTING COMPLAINTS**

1. Publicizing the Process for Reporting Complaints

A copy of this Policy shall be distributed to Staff by letter. The Fund shall make known to Staff the process for reporting Complaints on an anonymous and confidential basis on an ongoing basis. This information shall make it clear that no Staff member shall be penalized for making a good-faith report of a Complaint, nor shall the Fund tolerate retaliation against a Staff member who makes a report of a Complaint in good faith.

2. Communicating Reminders of the Process

The Fund shall also periodically (at least annually) communicate reminders to Staff of the process for reporting Complaints. This may be accomplished by electronic or other means, including, for example: e-mail, Fund newsletters and written memoranda or letters to Staff.

**SCHEDULE “E” TO THE
THE KEG ROYALTIES INCOME FUND WHISTLEBLOWING POLICY**

PROCEDURES FOR INVESTIGATING COMPLAINTS AND REPORTING RESULTS

1. Manner of Investigation

- (a) The Chair shall review and assess the seriousness of all Complaints promptly and determine, in consultation with others, if necessary, the manner in which Complaints shall be investigated, using internal and/or external resources, and shall determine who shall lead such investigation. In most instances, investigation of a Complaint under this Policy shall be led by the Chair. If someone other than the Chair leads an investigation, such person shall report directly to the Chair.
- (b) The Chair and any other persons assigned the investigation of Complaints shall:
 - (i) treat each report of a Complaint, as well as its investigation and disposition, on a confidential basis in accordance with the Policy;
 - (ii) if the Complaint was made on an anonymous basis, take all reasonable steps to ensure that such person’s anonymity is maintained;
 - (iii) involve in each investigation only those persons who need to be involved in order to properly carry out such investigation and, subject to clause 2(b) below, shall not discuss any Complaint or any action recommended or taken with respect to any Complaint with The Keg GP Ltd.’s Chief Executive Officer, Chief Financial Officer or any other officer or employee of the Fund or the Corporation except to the extent reasonably necessary to give effect to this Policy; and
 - (iv) conduct each investigation in a timely manner.

2. Monitoring the Status of the Investigation

- (a) The investigation of all Complaints shall be monitored on an ongoing basis by the Chair.
- (b) Depending on the nature of a Complaint and its materiality as determined in the first instance by the Chair, and in particular, with respect to any Complaint or Complaints that could materially affect the financial statements of the Fund or the integrity of the Fund’s system of internal controls, the Chair shall keep The Keg GP Ltd.’s Chief Executive Officer and the Chief Financial Officer (except to the extent any such persons are allegedly implicated in the Complaint) apprised of the status of the investigation for purposes of ensuring compliance with regulatory requirements, including the timely and continuous disclosure obligations of the Fund and the certification obligations of the The Keg GP Ltd.’s Chief Executive Officer and Chief Financial Officer.

- (c) The Audit Committee may request special treatment for any particular Complaint, including the retention of outside counsel or other advisors.

3. Resolution of Complaints

- (a) Subject to clause (c) below, the Chair shall report to the Audit Committee on all Complaints received and shall recommend to the Audit Committee the action which the Chair considers appropriate with respect to each Complaint.
- (b) The Audit Committee shall consider recommendations by the Chair with respect to any action to be taken with respect to a Complaint and shall determine the action that should be taken with respect thereto.
- (c) The Chair may take action with respect to Complaints which the Chair considers to be immaterial without the approval of the Audit Committee. The Chair is to report to the Audit Committee at the next meeting of the Audit Committee on all such actions taken.
- (d) The Audit Committee shall have access to all of the communications received by the Chair in connection with any Complaint.

4. Report to the Audit Committee

On a semi-annual basis (as of the end of each fiscal quarter), or more frequently upon request, the Chair shall prepare a written report regarding the operation of the Policy to the Audit Committee specifying, among other things:

- (a) the number of Complaints received during the prior fiscal quarter;
- (b) all Complaints received, by relevant category, during the prior fiscal quarter;
- (c) the reporting avenues used by persons reporting Complaints;
- (d) the failure of any officer or employee to cooperate in the effective implementation of the Policy; and
- (e) any recommendations with respect to improvement of the Policy.

**SCHEDULE “F” TO THE
THE KEG ROYALTIES INCOME FUND WHISTLEBLOWING POLICY
PROCEDURES REGARDING RETENTION OF COMPLAINTS RECEIVED
AND INVESTIGATIONS CONDUCTED**

1. Documentation Requirements

All Complaints shall be fully documented in writing by the person(s) assigned to investigate a particular Complaint. Such documentation shall be marked as “Privileged and Confidential” and shall include:

- (a) the original report of the Complaint;
- (b) the unique reference number assigned to the Complaint;
- (c) a summary/log of the investigation;
- (d) copies of any reports issued in connection with the Complaint;
- (e) a log of any communications with the Complainant; and
- (f) a summary of the disposition of the Complaint.

2. Retention Requirements

The documentation referenced in section 1 above after disposition of the Complaint shall be retained by the Fund in accordance with applicable law. Such documentation shall be available for inspection by the Chair, other members of the Audit Committee, the external auditors and any external legal counsel or other advisors hired in connection with Complaints. Disclosure of such documentation to any other person, and in particular to any third party, shall require the prior approval of the Audit Committee.