

PEDEVCO CORP.

**POLICY ON
INSIDER TRADING**

As of July 2012

This Policy has been adopted by PEDEVCO CORP., and supersedes prior policy statements on this subject. It applies to all employees, consultants, directors, and officers of the Company.

PEDEVCO CORP. (the “Company”) has adopted this Policy on Insider Trading to apply to each employee, consultant, director, and officer of the Company. The Company reserves the right to amend or rescind this Policy or any portion of it at any time and to adopt different policies and procedures at any time. **This Policy must be strictly followed.**

A. General Rule.

It is a violation of the federal securities laws for any person to buy or sell securities if he or she is in possession of material inside information. Employees will generally always have information that is not known to the public. Such information is considered “inside information” until it has been publicly disclosed by the Company. However, this information is only deemed “material inside information” if its disclosure could cause a significant change, either positive or negative, in the company’s stock price, or could affect a person’s decision whether to buy, sell or hold the securities. Furthermore, it is illegal for any person in possession of material inside information to provide other people with such information or to recommend that they buy or sell the securities. (This is called “tipping.”) In that case, they may both be held liable. **Please note that the Securities and Exchange Commission (the “SEC”) has imposed large penalties even when the disclosing person did not profit from the trading.**

The SEC, the stock exchanges, and plaintiffs’ lawyers focus on uncovering apparent insider trading. In this regard, please be aware that the SEC and the stock exchanges use sophisticated electronic surveillance techniques to uncover insider trading. In addition, the SEC and the stock exchanges maintain a very extensive database of officers, directors, and certain employees of public companies. It is quite possible that this database includes personal information about you, your relatives, and other acquaintances. **As a result, if you or your acquaintances engage in insider trading, it is extremely likely that it will eventually be discovered and prosecuted.**

A breach of the insider trading laws could expose the insider to criminal fines up to three times the profits earned and imprisonment up to ten years, in addition to civil penalties (up to three times the profits earned) and injunctive actions. In addition, punitive damages may be imposed under applicable state laws. Securities laws also subject controlling persons to civil penalties for illegal insider trading by employees. Controlling persons include the Company, and are interpreted by the SEC to include directors, officers and supervisors. These persons may be subject to significant fines.

Inside information does not belong to the individual directors, officers, or other employees who may handle it or otherwise become knowledgeable about it. For any person to use such information for personal benefit or to disclose it to others outside the Company violates the Company’s interests. More particularly, in connection with trading in Company securities, it is a fraud against members of the investing public and against the Company.

B. Who Does the Policy Apply To?

The prohibition against trading on inside information applies to directors, officers, and all other employees, and to consultants and other people who gain access to inside information. In addition, certain employees with inside knowledge of material information may be subject to temporary restrictions on trading from time to time.

C. Other Companies' Stocks

The same rules apply to other companies' stocks. Employees, directors, and consultants, who learn material information about suppliers, customers, potential acquisition candidates, or competitors through their work at the Company, should keep it confidential and not buy or sell stock in such companies until the information becomes public. Directors, officers, employees, and consultants should not give tips about such stocks.

D. Trading in Options or Making "Short" Sales

The insider trading prohibition also applies to trading in options, such as put and call options, and selling stock "short". Both forms of trading are can be highly speculative and very risky. People who buy short-term options are betting that the stock price will move rapidly. For that reason, when a person trades short-term options in his or her employer's stock, it will arouse suspicion in the eyes of the SEC that the person was trading on the basis of inside information, particularly where the trading occurs before a Company announcement or major event. It is difficult for an employee to prove that he or she did not know about the announcement or event.

If the SEC or the stock exchanges were to notice active options trading or "short" sales by one or more directors or employees of the Company prior to an announcement, they would investigate. Such an investigation could be embarrassing to the Company (as well as expensive) and could result in severe penalties and expense for the persons involved.

For all of these reasons, the Company prohibits its directors, officers and employees from trading in options with maturities less than 9 months on the Company's stock or selling the Company's stock "short." **This prohibition does not apply to employee or director stock options granted by the Company or to shares acquired upon exercise of employee or director stock options. Furthermore, this prohibition does not apply to the use of Company's securities as consideration for the exercise of any such options or for the payment of any related withholding taxes.**

E. What information is material?

All information that a reasonable investor would consider important in deciding whether to buy, sell, or hold securities is considered material. Information that is likely to affect the price of a company's securities is almost always material. Examples of some types of information that may be material are found in the Company's Policy on Control and Disclosure of Confidential Information. Either positive or negative information may be material. If you have any questions regarding whether information is material, please contact the Company's Chief Financial Officer (or his designee).

F. The Window Policy and other Guidelines

The following guidelines should be followed in order to ensure compliance with applicable anti-fraud laws and with the Company's policies:

1. *Trading Restrictions.* All employees, consultants, officers, and directors of the Company must comply with the following trading restrictions:

- You may ONLY trade the Company's stock during the period beginning on the second trading day after an earnings release (i.e., the release of quarterly or annual reports) for the preceding fiscal period, and ending on the last day of the subsequent fiscal quarter (the "window"), subject to the restrictions below. This waiting period permits the information to be fully disseminated and absorbed by the trading markets. For example, if the Company's annual results are released on December 31, you may trade during the period from January 2 (assuming January 1 and 2 are trading days) to March 31 unless the Company's Chief Financial Officer (or his designee) has closed the window for some other reason.
- The Company's Chief Financial Officer may "close" the window, if it is determined that a substantial risk to the Company exists.

- In the event the window is closed for any reason, that fact should not be communicated to the public because of adverse inferences that may be drawn from that information.
- Notwithstanding the above restrictions on trading, individuals may sell securities pursuant to a “Sales Plan” that complies with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Securities Exchange Act of 1934, as amended, provided that the form of any such Sales Plan must be approved in advance by the Company’s Chief Financial Officer (or his designee).
- No Trading During Trading Windows While in the Possession of Material Nonpublic Information. No individual possessing material nonpublic information concerning the Company or its subsidiaries may trade in Company securities even during applicable trading windows. Persons possessing such information may trade during a trading window only after the close of trading on the second trading day following the Company’s widespread public release of such information. Trading in the Company’s securities during the trading window should *not* be considered a “safe harbor,” and all directors, officers, employees and consultants should use good judgment at all times.
- Hardship Trades. The Company’s Chief Financial Officer (or his designee) may, on a case-by-case basis, authorize trading in Company securities outside of the applicable trading windows due to financial hardship or other hardships only after
 - a. the person trading has notified the Company’s Chief Financial Officer (or his designee) in writing of the circumstances of the hardship and the amount and nature of the proposed trade(s);
 - b. the person trading has certified to the Company’s Chief Financial Officer (or his designee) in writing no earlier than two business days prior to the proposed trade(s) that he or she is not in possession of material nonpublic information concerning the Company; and
 - c. the Company’s Chief Financial Officer (or his designee) has approved the trade(s).
- No Obligation to Approve Trades. The existence of the foregoing approval procedures does not in any way obligate the Company’s Chief Financial Officer (or his designee) to approve any trades requested by hardship applicants. The Company’s Chief Financial Officer (or his designee) may reject any trading requests at its sole reasonable discretion.

2. *Preclearance of Trades.* The Company has determined that all officers and directors of the Company should refrain from trading in the Company’s securities, even during the trading window, without first complying with the Company’s “preclearance” process. Each officer or director should contact the Company’s Chief Financial Officer (or his designee), prior to commencing any trade in the Company’s securities. The Chief Financial Officer (or his designee), will have the authority to prohibit the trades during the trading window if he determines that directors or officers may possess material nonpublic information about the Company. The Company may also find it necessary, from time to time, to require compliance with the preclearance process from certain employees, consultants, and contractors other than and in addition to officers and directors.

The existence of the foregoing preapproval procedures does not in any way obligate the Company’s Chief Financial Officer (or his designee) to preapprove any trades requested by an officer, director, employee, consultant or contractor of the Company. Notwithstanding preclearance of any trade hereunder, every officer, director, employee, consultant and contractor of the Company has individual responsibility to comply with this Policy and applicable state and federal rules and regulations against insider trading, with preclearance not relieving such person from responsibility for complying with the same. For example, if preclearance for a trade is granted but the person seeking to trade is in possession of material nonpublic information about the Company, such trade should not be made.

3. *Nondisclosure.* Material inside information must not be disclosed to anyone, except to persons within the Company whose positions require them to know it, until it has been publicly released by the Company.

4. *Company Options.* The exercise of employee stock options or purchases pursuant to any stock option plan is not subject to this policy. *However*, stock that was acquired upon exercise of a stock option plan will be treated like any other stock, and may not be sold by an employee, unless such sales comply with the trading restrictions set forth above.

5. *Avoid Speculation.* The Company encourages all employees, directors and other persons subject to this Policy to avoid speculating in the Company's stock. Our stock option program gives employees and directors an opportunity to share in the future growth of the Company. But investing means buying to share in the growth of the Company, it does not mean short-range speculation based on fluctuations in the market. Subject to the prohibition on trading on inside information and the other policies described herein, employees and directors may sell shares acquired through exercise of options. The Company, however, encourages you to avoid frequent trading in Company stock.

6. *Trading in Other Securities.* No employee, director, consultant, or other person subject to this Policy should place a purchase or sale order, or recommend that another person place a purchase or sale order, in the securities of another corporation, if such person learns in the course of his or her employment or involvement with the Company confidential information about the other corporation that is likely to affect the value of those securities. For example, it would be a violation of the securities laws if an employee learned through Company sources that the Company intended to purchase assets from a corporation, and then bought or sold stock in that other corporation because of the likely increase or decrease in the value of its securities.

7. *Priority of Statutory or Regulatory Trading Restrictions.* The trading prohibitions and restrictions set forth in this policy will be superseded by any greater prohibitions or restrictions prescribed by federal or state securities laws and regulations, e.g., short-swing trading by individuals pursuant to Section 16 of the Securities Act of 1934, as amended or restrictions on the sale of securities subject to Rule 144 under the Securities Act of 1933, as amended. Any individual who is uncertain whether other prohibitions or restrictions apply should ask the Company's Chief Financial Officer (or his designee).

G. Potential Civil, Criminal and Disciplinary Sanctions.

1. *Civil and Criminal Penalties.* The consequences of prohibited insider trading or tipping can be severe. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by the trading, pay the loss suffered by the person who purchased securities from or sold securities to the insider tippee, pay civil penalties up to three times the profit made or loss avoided, pay a criminal penalty of up to \$5 million, and serve a jail term of up to twenty years. The Company and/or the supervisors of the person violating the rules may also be required to pay major civil or criminal penalties. "Controlling persons" are also subject to civil penalties of up to the greater of \$1 million or three times the profit made or loss avoided. Furthermore, a private action may be brought against a person who trades on inside information by any person who bought or sold before the inside information became public, not just the person from whom the securities were bought or sold.

2. *Company Discipline.* Violation of this policy or federal or state insider trading or tipping laws by any director, officer or employee, or their family members, may subject the director to dismissal proceedings and the officer or employee to disciplinary action by the Company or its appropriate subsidiary up to and including termination for cause.

3. *Reporting of Violations.* Any person who violates this policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other Insiders, must report the violation immediately to the Chief Executive Officer or Secretary of the Company. Upon learning of any such violation, the Chief Executive Officer or Secretary, in consultation with the Company's legal counsel, will determine whether the Company should release any material nonpublic information, or whether the Company should report the violation to the SEC or other appropriate governmental authority.

H. Acknowledgement.

Please read this Policy carefully, and promptly sign and return the attached Acknowledgment to:

Clark R. Moore
Secretary
PEDEVCO CORP.

ACKNOWLEDGMENT

I have received a copy of the Policy on Insider Trading of PEDEVCO CORP. I have read and understand the policies. I will comply with the policies and procedures set forth in the Policy. I understand and agree that, if I am an employee of PEDEVCO CORP., or any of its subsidiaries or affiliates, my failure to comply in all respects with the policies of PEDEVCO CORP., including the Policy on Insider Trading, is a legitimate basis for termination for cause of my employment with PEDEVCO CORP., and any of its subsidiaries to which my employment now relates or may in the future relate, or engagement by PEDEVCO CORP., and any of its subsidiaries, as a consultant thereof.

Date: _____

Signed: _____

Name: _____
(Please Print)

Please return to:

Clark R. Moore
Secretary
PEDEVCO CORP.