



**NAL OIL & GAS TRUST**

**NOTICE OF SPECIAL MEETING OF HOLDERS OF TRUST UNITS  
OF NAL OIL & GAS TRUST**

**to be held on December 16, 2010**

**and**

**NOTICE OF ORIGINATING APPLICATION TO THE COURT OF QUEEN'S BENCH OF ALBERTA**

**and**

**INFORMATION CIRCULAR**

**with respect to a proposed**

**PLAN OF ARRANGEMENT**

**involving**

**NAL OIL & GAS TRUST, NAL VENTURES TRUST, ADDISON ENERGY  
LIMITED PARTNERSHIP, NAL GP LTD., NAL ENERGY INC., NAL PROPERTIES INC.,  
NAL PETROLEUM (ACE) LTD., 1331899 ALBERTA ULC, NAL ENERGY CORPORATION  
AND THE HOLDERS OF TRUST UNITS OF NAL OIL & GAS TRUST**

**November 12, 2010**

These materials are important and require your immediate attention. They require holders of trust units to make important decisions. If you are in doubt as to how to make such decisions, please contact your legal, tax or other professional advisors. If you have any questions or require more information with regard to voting your trust units, please contact Computershare Trust Company of Canada at 1-800-564-6253.

*The deadline for the receipt of proxies for the Special Meeting is 3:00 p.m. (Calgary time) on Tuesday, December 14, 2010.*



November 12, 2010

Dear Unitholders:

### **The Meeting**

You are invited to attend a special meeting (the "**Meeting**") of holders ("**Unitholders**") of trust units ("**Trust Units**") of NAL Oil & Gas Trust (the "**Trust**") to be held, pursuant to an Interim Order of the Court of Queen's Bench of Alberta, on Thursday, December 16, 2010 at 3:00 p.m. (Calgary time). The Meeting will be held in the McMurray Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta. The purpose of the Meeting is to consider and vote upon, among other things, the proposed conversion of the Trust from an income trust structure to a corporate structure pursuant to a plan of arrangement (the "**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta) involving, among others, the Trust, NAL Energy Inc. ("**NAL Energy**"), NAL Energy Corporation ("**New NAL**") and the Unitholders.

Enclosed with this letter is a Notice of Special Meeting, a Notice of Originating Application, an information circular (the "**Circular**"), a voting instruction form or a form of proxy (as applicable) as well as a letter of transmittal. **I urge you to review these materials carefully and, if you require assistance, to consult your legal, tax or other professional advisors.**

### **Meeting Matters**

At the Meeting, Unitholders will be asked to consider and, if thought advisable, approve a special resolution in respect of the Arrangement (the "**Arrangement Resolution**"). In the event that the Arrangement Resolution is passed, Unitholders will be asked to consider and, if thought advisable, approve by ordinary resolution the adoption of a deferred share unit plan of New NAL.

### **The Arrangement**

The Arrangement is being proposed primarily as a result of changes to Canadian federal income tax legislation relating to publicly traded specified investment flow-through trusts and partnerships ("**SIFTs**") that were announced by the Department of Finance (Canada) on October 31, 2006 and enacted into legislation by the Government of Canada on June 22, 2007.

Pursuant to the Arrangement, Unitholders will receive one common share of New NAL (a "**Common Share**") in exchange for each Trust Unit held as of the initial effective date of the Arrangement. If the Arrangement is approved by Unitholders at the Meeting, it is expected that the initial effective date of the Arrangement will be December 31, 2010. Upon completion of the Arrangement, Unitholders will own all of the issued and outstanding Common Shares and New NAL will, directly or indirectly, carry on the business presently carried on by the Trust and its subsidiaries.

The exchange of Trust Units for Common Shares is expected to occur on a tax-deferred rollover basis for Unitholders. This information is not intended to be, and should not be construed as, tax advice and Unitholders should consult with tax or other professional advisors, legal counsel or accountants regarding the tax consequences of the exchange. Unitholders should also carefully review the sections in the accompanying Circular entitled "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*".

## **Approval of the Arrangement**

The Arrangement Resolution must be approved by a majority of not less than 66⅔% of the votes cast by Unitholders voting in person or represented by proxy at the Meeting. The Arrangement is also subject to the satisfaction or waiver of certain conditions set forth in an arrangement agreement entered into in connection with the Arrangement (a copy of which is attached as Appendix "A" to the Circular), including, among other things, the approval of the Court of Queen's Bench of Alberta and receipt of all necessary third party and regulatory consents, approvals and authorizations.

## **Dividend Policy**

The Trust's monthly distribution payable on January 17, 2011 to Unitholders of record on December 22, 2010 will not be affected by the Arrangement and will be paid in the usual manner.

Pursuant to the Arrangement and effective with the proposed conversion from an income trust structure to a corporation, the board of directors of NAL Energy (the "**Board of Directors**") anticipates that New NAL will pay a monthly dividend of \$0.07 per Common Share, a reduction from the current monthly cash distribution of \$0.09 per Trust Unit, such dividend payment representing an annual dividend of \$0.84 per Common Share, the first of which is anticipated to be paid on February 15, 2011 to Shareholders of record on January 24, 2011. New NAL expects to designate any dividends paid as "eligible dividends" for Canadian federal income tax purposes, which are anticipated to qualify for the enhanced federal dividend tax credit in Canada. However, no assurance can be given that dividends will be designated as "eligible dividends". Unitholders should also review the sections in the accompanying Circular entitled "*The Arrangement – Dividend Policy*" and "*Risk Factors – Risk Factors Relating to the Activities of New NAL and the Ownership of Common Shares*".

## **Effect of the Arrangement on Debentureholders**

Pursuant to the Arrangement, the outstanding 6.25% convertible unsecured subordinated debentures of the Trust due December 31, 2014 (the "**6.25% Debentures**") and the 6.75% convertible extendible unsecured subordinated debentures of the Trust due August 31, 2012 (the "**6.75% Debentures**") will be assumed by New NAL and holders of the 6.25% Debentures and the 6.75% Debentures will be entitled to receive Common Shares, rather than Trust Units, on the basis of one Common Share in lieu of each Trust Unit which they were previously entitled to receive, on the conversion, redemption or maturity of the 6.25% Debentures and the 6.75% Debentures.

## **Effect of the Arrangement on the Distribution Reinvestment Plan**

Pursuant to the Arrangement, it is proposed that the Trust's Premium Distribution™, Distribution Reinvestment and Optional Trust Unit Purchase Plan (the "**DRIP**") be assumed by New NAL so that, among other things, Unitholders who were participants in the distribution reinvestment component of the DRIP will be deemed to be participants in the dividend reinvestment component of the amended and restated DRIP without any further action on their part.

With respect to the distribution payable on January 17, 2011, the Trust's obligation to issue Trust Units under the DRIP in respect of such distribution will be satisfied instead by the issuance of Common Shares by New NAL reserved and authorized for issuance under the amended and restated DRIP.

## **Effect of the Arrangement on Deferred Share Units**

Pursuant to the Arrangement, all necessary changes will be made to the terms of NAL Properties Inc.'s deferred share unit plan and the deferred share units outstanding thereunder to reflect the exchange of Trust Units for Common Shares, so as to preserve, but not enlarge, the economic rights of holders of such deferred share units as they exist immediately prior to the Arrangement.

## **NAL Energy Corporation**

If approved, the Arrangement will result in New NAL, directly or indirectly, carrying on the business presently carried on by the Trust and its subsidiaries. Following the completion of the Arrangement, the board of

directors and management of New NAL will be comprised of the current members of the Board of Directors and executive officers of NAL Energy and NAL Resources Management Limited, the manager of the Trust, will continue as the manager of New NAL.

### **Anticipated Benefits of the Arrangement**

The Board of Directors believes that the Arrangement will enable the Trust to pursue its current strategic plan and strategy of efficient capital management and deliver strong returns through sustainable dividend payments and capital appreciation for the benefit of Unitholders. Given the changes to tax legislation regarding SIFTs resulting in the diminished value of the publicly traded income trust structure, the Board of Directors believes that the best opportunity for creating value for Unitholders is to move to a corporate structure effective December 31, 2010, allowing the Trust to continue to benefit from its current trust structure for the maximum time permitted and to thereafter continue as a dividend paying public corporation.

The Board of Directors believes that the Arrangement provides a number of compelling and strategic benefits including, among other things, the expectation that a conversion to a public corporation will:

- allow the business of the Trust to operate in a simplified and more efficient corporate structure making it easier for market participants to understand and value;
- permit New NAL's financial and operational performance to be more easily valued relative to its corporate peers;
- eliminate the additional administrative and compliance costs associated with an income trust structure;
- remove the restrictions on non-resident ownership applicable to "mutual fund trusts" (as defined in the *Income Tax Act* (Canada)), which may provide New NAL with greater access to capital in Canada and other international markets to enable it to exploit future acquisition opportunities, compete effectively for acquisitions and pursue growth initiatives;
- attract new investors and provide a more liquid market for the Common Shares following the conversion;
- remove the Trust from any uncertainty that exists today in the publicly traded income trust marketplace;
- better position New NAL to invest in attractive opportunities for growth and expansion;
- provide for the payment of dividends to shareholders with a view to sustainability while at the same time delivering strong returns through capital appreciation; and
- be accomplished, from a Canadian and United States federal income tax perspective, on a tax-deferred rollover basis for Unitholders.

See *"The Arrangement – Anticipated Benefits of the Arrangement"* in the accompanying Circular.

### **Recommendation of the Board of Directors**

The Board of Directors, based on their own investigations and on the advice of independent legal counsel and tax advisors, has unanimously determined that the Arrangement is fair to Unitholders and in the best interests of the Trust and Unitholders. **The Board of Directors unanimously recommends that Unitholders vote FOR the Arrangement Resolution.**

## The Information Circular

**The accompanying Circular contains a detailed description of the Arrangement as well as detailed information regarding the Trust and New NAL. Please give this material your careful consideration.** If you are a registered Unitholder and are unable to attend the Meeting in person, please complete and deliver the enclosed form of proxy or vote by telephone or the internet prior to 3:00 p.m. (Calgary time) on Tuesday, December 14, 2010 in order to ensure your representation at the Meeting. If you are a non-registered holder of Trust Units and received these materials through your broker or through another intermediary, please complete, sign and return the voting instruction form in accordance with the instructions provided by your broker or intermediary.

On behalf of the Board of Directors, I would like to express our gratitude for the support our Unitholders have demonstrated with respect to our decision to proceed with the proposed Arrangement. We believe that the Arrangement will allow us to continue to develop our business for the benefit of our Unitholders and the communities we serve.

We look forward to seeing you at the Meeting.

Yours very truly,

**NAL OIL & GAS TRUST, by its Manager,  
NAL RESOURCES MANAGEMENT  
LIMITED**

*(Signed) Andrew B. Wiswell*

Andrew B. Wiswell  
President and Chief Executive Officer

IN THE COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA), R.S.A.  
2000, c. B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING  
NAL OIL & GAS TRUST, NAL VENTURES TRUST, ADDISON ENERGY  
LIMITED PARTNERSHIP, NAL GP LTD., NAL ENERGY INC., NAL PROPERTIES INC.,  
NAL PETROLEUM (ACE) LTD., 1331899 ALBERTA ULC, NAL ENERGY CORPORATION  
AND THE HOLDERS OF TRUST UNITS OF NAL OIL & GAS TRUST

NOTICE OF ORIGINATING APPLICATION

**NOTICE IS HEREBY GIVEN** that an originating application (the "**Originating Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "**Court**"), on behalf of NAL Oil & Gas Trust (the "**Trust**"), NAL Ventures Trust ("**Ventures Trust**"), Addison Energy Limited Partnership ("**Addison LP**"), NAL GP Ltd. ("**GPCo**"), NAL Energy Inc. ("**NAL Energy**"), NAL Properties Inc. ("**Properties**"), NAL Petroleum (ACE) Ltd. ("**NAL-ACE**"), 1331899 Alberta ULC ("**ULC**") and NAL Energy Corporation ("**New NAL**") with respect to a proposed arrangement (the "**Arrangement**") under section 193 of the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), involving the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC, New NAL and the holders ("**Unitholders**") of trust units of the Trust, which Arrangement is described in greater detail in the information circular of the Trust dated November 12, 2010 (the "**Circular**"), accompanying this Notice of Originating Application. At the hearing of the Originating Application, the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL intend to seek:

- (a) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair to the persons affected;
- (b) an order approving the Arrangement pursuant to the provisions of section 193 of the ABCA;
- (c) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement pursuant to the provisions of section 193 of the ABCA, become effective in accordance with its terms and will be binding on and after the Initial Effective Date and Second Effective Date, respectively, as defined in the arrangement agreement dated November 10, 2010 among the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, pursuant to which such parties have proposed to implement the Arrangement, which agreement is attached as Appendix "A" to the Circular, and any amendment thereto; and
- (d) such other and further orders, declarations and directions as the Court may deem just.

**AND NOTICE IS FURTHER GIVEN** that the said Originating Application was directed to be heard before a Justice of the Court, 601 – 5th Street S.W., Calgary, Alberta, on December 17, 2010 at 9:30 a.m. (Calgary time), or as soon thereafter as counsel may be heard. Any Unitholder or any other interested party desiring to support or oppose the Originating Application may appear at the time of the hearing in person or by counsel for that purpose. Any Unitholder or any other interested party desiring to appear at the hearing is required to file with the Court and serve upon the Trust on or before noon (Calgary time) on December 10, 2010, a notice of intention to appear, including an address for service in the Province of Alberta, together with any evidence or materials which are to be presented to the Court. Service on the Trust is to be effected by delivery to the solicitors for the Trust at their address set forth below. If any Unitholder or any other such interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement as presented, or may approve it subject to such terms and conditions as the Court shall deem fit, without any further notice.

**AND NOTICE IS FURTHER GIVEN** that no further notice of the Originating Application will be given by the Trust and that in the event the hearing of the Originating Application is adjourned, only those persons who have appeared before the Court for the application at the hearing shall be served with notice of the adjourned date.

**AND NOTICE IS FURTHER GIVEN** that the Court, by the Interim Order, has given directions as to the calling and holding of a meeting of the Unitholders for the purpose of such Unitholders voting upon a special resolution to approve the Arrangement.

**AND NOTICE IS FURTHER GIVEN** that a copy of the said Originating Application and other documents in the proceedings will be furnished to any Unitholder or any other interested party requesting the same by the under mentioned solicitors for the Trust upon written request delivered to such solicitors as follows:

Bennett Jones LLP  
4500, 855 – 2nd Street S.W.  
Calgary, Alberta T2P 4K7

Attention: Laurie A. Goldbach

**DATED** at Calgary, Alberta on November 12, 2010.

**By order of NAL RESOURCES MANAGEMENT  
LIMITED, as Manager of NAL OIL & GAS  
TRUST**

(Signed) *Andrew B. Wiswell*

Andrew B. Wiswell  
President and Chief Executive Officer

## NAL OIL & GAS TRUST

Notice of Special Meeting  
of Unitholders  
to be held December 16, 2010

**NOTICE IS HEREBY GIVEN** that, pursuant to an interim order of the Court of Queen's Bench of Alberta dated November 12, 2010, as the same may be amended (the "**Interim Order**"), a special meeting (the "**Meeting**") of the holders (the "**Unitholders**") of trust units ("**Trust Units**") of NAL Oil & Gas Trust (the "**Trust**") will be held in the McMurray Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta on Thursday, December 16, 2010 at 3:00 p.m. (Calgary time) for the following purposes:

- (a) to consider, pursuant to the Interim Order, and if thought advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**") of the Unitholders, the full text of which is set forth in Appendix "C" to the accompanying information circular dated November 12, 2010 (the "**Circular**"), to approve a plan of arrangement under section 193 of the *Business Corporations Act* (Alberta) and all transactions contemplated thereby (the "**Arrangement**"), all as more particularly described in the Circular;
- (b) if the Arrangement Resolution is passed, to consider and, if thought advisable, to pass an ordinary resolution, the full text of which is set forth in the Circular, approving the adoption of the deferred share unit plan of New NAL, as more particularly described in the Circular; and
- (c) to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

This Notice of Special Meeting is accompanied by a Notice of Originating Application, the Circular, a voting instruction form or form of proxy (as applicable) as well as a letter of transmittal. Unitholders are referred to the accompanying Circular for more detailed information regarding the matters to be considered at the Meeting. A copy of the Plan of Arrangement in respect of the Arrangement is attached as Schedule One to the Arrangement Agreement, which is attached as Appendix "A" to the Circular. Capitalized terms used in this Notice of Special Meeting that are not defined herein shall have the meanings given to such terms in the Circular.

Only persons registered as holders of Trust Units on the records of the Trust as of the close of business on November 9, 2010 are entitled to receive notice of, and to vote or act at, the Meeting or any adjournment thereof. No person who becomes a Unitholder after November 9, 2010 will be entitled to vote or act at the Meeting or any adjournment thereof.

**Unitholders who are unable to attend the Meeting in person may vote by proxy, by telephone or by using the internet. In order to be valid and acted upon at the Meeting, properly completed forms of proxy must be received by Computershare Trust Company of Canada not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the Meeting.**

**A proxyholder has discretion under the accompanying form of proxy to consider such further and other business as may properly be brought before the Meeting or any adjournment thereof. Unitholders who are planning on returning the accompanying form of proxy are encouraged to review the Circular carefully before submitting the form of proxy.**

**If a Unitholder is a non-registered holder of Trust Units and receives these materials through a broker or other intermediary, the Unitholder must complete, sign and return the voting instruction form in accordance with the instructions provided by such broker or other intermediary.**

**DATED** at Calgary, Alberta on November 12, 2010.

**By order of NAL RESOURCES MANAGEMENT  
LIMITED, as Manager of NAL OIL & GAS  
TRUST**

(Signed) *Andrew B. Wiswell*

Andrew B. Wiswell  
President and Chief Executive Officer

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## MANAGEMENT INFORMATION CIRCULAR

**Relating to a Special Meeting of Unitholders  
to be held on Thursday, December 16, 2010**

### **Introduction**

**This Circular is provided in connection with the solicitation of proxies by the management of NAL Energy for use at the Meeting and for any adjournment thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.**

The solicitation of proxies will be made primarily by mail, but the agents of NAL Energy may also, without special compensation, solicit proxies in person or by telephone, facsimile or other form of electronic communication. The costs of this solicitation of proxies and the preparation and mailing of this Circular will be borne by NAL Energy.

All summaries of, and references to, the Arrangement in this Circular are qualified in their entirety by reference to the complete text of the Arrangement Agreement, which agreement is attached as Appendix "A" to this Circular, and the Plan of Arrangement, a copy of which is attached as Schedule One to the Arrangement Agreement. **You are urged to carefully read the full text of this Circular, the Arrangement Agreement and Plan of Arrangement.**

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth under "*Glossary of Terms*" or elsewhere in this Circular. Information contained in this Circular is given as of November 12, 2010 unless otherwise specifically stated.

**Unitholders are encouraged to obtain independent legal, tax, financial and investment advice in their jurisdiction of residence with respect to this Circular, the consequences of the Arrangement and the holding and disposing of Trust Units, Debentures, Common Shares and New NAL Debentures.**

### **Forward-Looking Statements**

Certain statements in this Circular, including the documents incorporated by reference herein, are "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, are intended to identify forward-looking statements. Forward-looking statements contained in this Circular relate to, among other things, statements regarding business strategy, plans and other expectations, beliefs, goals, objectives, information and statements about possible future events. Specific forward-looking statements contained in this Circular include statements regarding the completion of the Arrangement and the ability of New NAL to maintain its anticipated level of dividends after completion of the Arrangement; the timing of the Final Order; changes in legislation relating to the Trust and its structure, including income tax considerations and the treatment of Unitholders under tax laws; the Trust and New NAL's business strategy; the effective dates of the Arrangement; the satisfaction of conditions for

listing on the TSX and the timing thereof; the composition of the Board of Directors and management of New NAL upon completion of the Arrangement; the anticipated benefits of the Arrangement; the assumption of the Debentures by New NAL; the amendment and restatement of the DRIP; the amendment and restatement of the Credit Facility; the adoption of the New NAL DSU Plan; the ability to obtain required consents, permits or approvals, including, but not limited to, Unitholder and Court approvals of the Arrangement and creditor consents, if any, and the timing in respect thereof.

Readers are cautioned not to place undue reliance on such forward-looking statements. Such statements reflect the current views of the Trust with respect to future events and are subject to certain risks, uncertainties and assumptions that could cause the results of the Trust or New NAL to differ materially from those expressed in the forward-looking statements. Factors that could cause actual results to vary from forward-looking information or may affect the operations, performance, development and results of the Trust's business include, among other things, the failure of Unitholders to approve the Arrangement Resolution; the failure of the Trust or New NAL to obtain all third party and regulatory consents, approvals and authorizations; the failure of the Court to approve the Arrangement or the approval of the Arrangement by the Court on terms unacceptable to the NAL Group; changes in commodity prices; unanticipated operating results or production declines; the impact of weather conditions on seasonal demand and ability to execute the NAL Group's capital program; risks inherent in oil and gas operations; incorrect assessments of the value of acquisitions and exploration and development programs; geological, technical, drilling and processing problems; the imprecision of reserve estimates; limited, unfavorable or no access to capital or credit markets; the impact of competitors; the lack of availability of qualified operating or management personnel; the inability to obtain industry partner and other third party consents and approvals, when required; failure to realize the anticipated benefits of acquisitions; general economic conditions in Canada, the United States and globally; fluctuations in foreign exchange or interest rates; changes in government regulation of the oil and gas industry, including environmental regulation; changes in royalty rates; changes in tax laws and incentive programs relating to the oil and gas industry and income trusts, including the impact of legislation relating to the taxation of "specified investment flow-through" entities and the conversion of income trusts into corporations; stock market volatility and market valuations; the Organization of the Petroleum Exporting Countries' ability to control production and balance global supply and demand for crude oil at desired price levels; political uncertainty, including the risk of hostilities in the petroleum producing regions of the world; and such other risks or factors described from time to time in the reports filed with securities regulatory authorities by the Trust. Many of these risks will also be applicable to New NAL following the completion of the Arrangement.

The forward-looking statements contained, or incorporated by reference, herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included, or incorporated by reference, in this Circular are made as of the date of this Circular or as of the date of the document incorporated by reference herein in which such statements are contained, as applicable, and the Manager, the Trust, NAL Energy and New NAL undertake no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise, except as required by applicable securities laws.

The reader is further cautioned that the preparation of financial statements in accordance with Canadian GAAP requires the Trust and the Manager to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available and as the economic environment changes.

Although the forward-looking statements contained in this Circular are based upon what the Trust and the Manager believe to be reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. The information contained in this Circular, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Trust and New NAL. **We urge you to carefully consider those factors.**

### **Information for United States Unitholders**

The Common Shares to be issued to Unitholders in exchange for their Trust Units have not been registered, and are not intended to be registered under the U.S. Securities Act, and such securities are being issued to Unitholders in reliance on the exemption from registration set forth in subsection 3(a)(10) of the U.S. Securities Act. The solicitation of proxies for the Meeting is not subject to the proxy requirements of subsection 14(a) of the U.S.

Exchange Act. Accordingly, the solicitations and transactions contemplated in this Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and, unless otherwise indicated, this Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Unitholders in the United States should be aware that such requirements are different from those of the United States applicable to registration statements under the U.S. Securities Act and proxy statements under the U.S. Exchange Act.

Information contained or incorporated by reference herein has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards. The audited and unaudited financial statements and other financial information included in or incorporated by reference in this Circular have been presented in Canadian dollars, were prepared in accordance with Canadian GAAP and are subject to Canadian auditing standards, which differ from U.S. GAAP and auditing and auditor independence standards in certain material respects, and thus may not be comparable to financial statements of United States companies. Additionally, oil and gas reserves information contained or incorporated by reference in this Circular has been prepared in accordance with Canadian disclosure standards, which may not be comparable in all respects to United States disclosure standards.

Unitholders should be aware that the acquisition of the Common Shares as a result of the Arrangement described herein may have tax consequences both in the United States and in Canada. See "*Certain Canadian Federal Income Tax Considerations*" and "*Certain United States Federal Income Tax Considerations*". **Unitholders in the United States should consult their own tax advisors with respect to their own particular circumstances.**

The enforcement by investors of civil liabilities under United States securities laws may be affected adversely by the fact that each of the Trust and New NAL is organized under the laws of the Province of Alberta, that their respective officers and directors and the Trustee are residents of countries other than the United States, that certain of the experts named in this Circular are residents of countries other than the United States, and that all or substantial portions of the assets of the Trust and New NAL and such other persons are, or will be, located outside the United States. As a result, it may be difficult or impossible for Unitholders in the United States to effect service of process within the United States upon the Trust and New NAL and their directors and officers or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States. In addition, Unitholders in the United States should not assume that Canadian courts: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state within the United States.

The U.S. Securities Act imposes restrictions on the resale of securities received pursuant to the Plan of Arrangement by persons who will be "affiliates" of New NAL after the Arrangement is completed. See "*The Arrangement – Securities Law Matters – United States*" in this Circular.

**THE COMMON SHARES TO BE ISSUED PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

### **Currency Exchange Rates**

All dollar amounts set forth in this Circular are in Canadian dollars, except where otherwise indicated. The following table sets forth: (i) the rates of exchange for Canadian dollars, expressed in U.S. dollars, in effect at the end of each of the periods indicated; (ii) the average of exchange rates in effect during each of the periods indicated;

and (iii) the highest and lowest exchange rates during such periods, in each case based on Bank of Canada noon day exchange rates.

	Nine Months Ended September 30		Year Ended December 31		
	2010	2009	2009	2008	2007
Noon day rate at end of period	0.9711	0.9327	0.9555	0.8166	1.0120
Average noon day rate for period	0.9656	0.8546	0.8757	0.9381	0.9304
High noon day rate for period	1.0039	0.9422	0.9716	1.0289	1.0905
Low noon day rate for period	0.9278	0.7692	0.7692	0.7711	0.8437

On November 12, 2010, the Bank of Canada noon day rate of exchange for Canadian dollars, expressed in U.S. dollars, was Cdn\$1.00 = \$0.9921.

### Non-GAAP Measures

Certain financial information contained in this Circular, including the documents incorporated by reference herein, may not be standard measures under Canadian GAAP and may not be comparable to similar measures presented by other entities. These measures are considered to be important measures used by the investment community and should be used to supplement other performance measures prepared in accordance with Canadian GAAP. For further information on non-GAAP financial measures used in this Circular, including the documents incorporated by reference herein, please review the section entitled "*Non-GAAP Financial Measures*" contained in the Management's Discussion and Analysis of the Trust for the years ended December 31, 2009 and 2008 and for the three and nine month periods ended September 30, 2010, which documents are specifically incorporated by reference herein.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Circular, including under the heading "*Summary of Information Circular*". Terms and abbreviations used in the Appendices to this Circular (other than Appendix "D") are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

"**1494705**" means 1494705 Alberta Ltd., a corporation incorporated under the laws of the Province of Alberta and amalgamated with Breaker to form BEL.

"**6.25% Debentures**" means the \$115 million aggregate original principal amount of 6.25% convertible unsecured subordinated debentures of the Trust due December 31, 2014 issued pursuant to the Note Indenture.

"**6.75% Debentures**" means the \$100 million aggregate original principal amount of 6.75% convertible extendible unsecured subordinated debentures of the Trust due August 31, 2012 issued pursuant to the Note Indenture.

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder.

"**Addison LP**" means Addison Energy Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

"**Additional Addison LP Partnership Interest**" means an increase in the partnership interest of AmalCo in Addison LP in an amount equal to the fair market value of the AmalCo Assets less the amount of the AmalCo Liabilities.

"**Administrative Services Agreement**" means the administrative services and cost sharing agreement among the Manager, Resources, Manulife, NAL Energy and the Trust, effective January 1, 2006, as amended.

"**Alberta Clipper**" means Alberta Clipper Energy Inc., a corporation amalgamated under the laws of the Province of Alberta and which, subsequent to its acquisition by Ventures Trust, changed its name to NAL Petroleum (ACE) Ltd. prior to its amalgamation with BEL to form NAL-ACE.

"**AmalCo**" means the corporation resulting from the Amalgamation.

"**AmalCo Assets**" means all of the assets and property associated with the oil and natural gas production business of AmalCo (excluding any and all of the assets and property formerly held by NAL-ACE other than any assets and property acquired by NAL-ACE from NAL Partnership on the day immediately prior to the Initial Effective Date).

"**AmalCo Common Shares**" means the common shares in the capital of AmalCo outstanding following completion of the Amalgamation.

"**AmalCo Liabilities**" means all of the liabilities associated with the oil and natural gas production business of AmalCo (excluding any and all of the liabilities of NAL-ACE other than any liabilities assumed from NAL Partnership on the day immediately prior to the Initial Effective Date).

"**Amalgamation**" means the amalgamation of GPCo, NAL Energy, NAL-ACE and ULC pursuant to the provisions of the Arrangement.

"**Amended DRIP**" means the DRIP as amended and restated pursuant to the Plan of Arrangement.

"**Amended Note Indenture**" means the Note Indenture as assumed by New NAL, pursuant to the Plan of Arrangement.

"**Amended Properties DSU Plan**" means the Properties DSU Plan, effective January 1, 2006, as amended and restated pursuant to the Plan of Arrangement.

"**Annual Information Form**" means the annual information form of the Trust dated March 29, 2010 in respect of the Trust's financial year ended December 31, 2009, incorporated by reference in this Circular.

"**Arrangement**" means the arrangement pursuant to section 193 of the ABCA set forth in the Plan of Arrangement and includes any supplement, modification or amendment thereto made in accordance with Section 6.1 of the Arrangement Agreement and Article 6 of the Plan of Arrangement.

"**Arrangement Agreement**" means the agreement made as of November 10, 2010, among the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL pursuant to which such parties have proposed to implement the Arrangement, which agreement is attached as Appendix "A" to this Circular, and any amendment thereto.

"**Arrangement Resolution**" means the special resolution to approve the Arrangement, substantially in the form attached as Appendix "C" to this Circular, to be presented to Unitholders at the Meeting.

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required by subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted in order to give effect to the Arrangement.

"**BEL**" means NAL Petroleum (BEL) Ltd., a corporation formed upon the amalgamation of Breaker and 1494705 under the laws of the Province of Alberta.

"**Beneficial Holder**" has the meaning set forth in "*Appointment and Revocation of Proxy – Advice to Beneficial Holders of Trust Units*" in this Circular.

"**Board of Directors**" means the board of directors of NAL Energy prior to the completion of the Arrangement and the board of directors of New NAL following the completion of the Arrangement, as each may be constituted from time to time, and each member, a "**Director**".

"**Breaker**" means Breaker Energy Ltd., a corporation incorporated under the laws of the Province of Alberta and amalgamated with 1494705 to form BEL.

"**Business Day**" means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business.

"**Canada-U.S. Tax Convention**" means the Convention between Canada and the United States with respect to taxes on income and on capital, signed September 26, 1980, as amended.

"**Canadian GAAP**" means generally accepted accounting principles in Canada, as in effect from time to time.

"**CBCA**" means the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, including the regulations promulgated thereunder.

"**Certificate**" means the certificate or proof of filing to be issued by the Registrar on the Initial Effective Date pursuant to subsection 193(11) or subsection 193(12) of the ABCA giving effect to the Arrangement.

"**Circular**" means this information circular, prepared by NAL Energy on behalf of the Trust and forwarded to Unitholders as part of the proxy solicitation materials in respect of the Meeting.

"**Code**" means the United States Internal Revenue Code of 1986.

"**Common Shares**" means the common shares in the capital of New NAL.

"**Computershare**" means Computershare Trust Company of Canada, in its capacity as the transfer agent and registrar for the Trust Units, the 6.25% Debentures and the 6.75% Debentures.

"**Court**" means the Court of Queen's Bench of Alberta.

"**Credit Facility**" means the extendible revolving term credit facility and the revolving working capital facility entered into by Ventures Trust and Properties (as joint and several borrowers) with a syndicate of Canadian chartered banks and other financial institutions on November 4, 2008, which, as amended, provide for fully secured, extendible, revolving facilities in an aggregate amount of \$550 million.

"**Debenture Trustee**" means Computershare Trust Company of Canada, in its capacity as trustee for the Debentureholders under the Note Indenture.

"**Debentureholders**" means the holders of the Debentures at any time and from time to time.

"**Debentures**" means, collectively, the 6.25% Debentures and the 6.75% Debentures.

"**Deferred Share Unit Plan Resolution**" means the ordinary resolution to approve the New NAL DSU Plan, the full text of which is set forth in this Circular, to be presented to Unitholders at the Meeting.

"**Depositary**" means Computershare Investor Services Inc.

"**DRIP**" means the Premium Distribution™, Distribution Reinvestment and Optional Trust Unit Purchase Plan of the Trust, dated effective January 13, 2004.

"**DRS Advice**" means the document evidencing the electronic registration of ownership of Common Shares under the Direct Registration System adopted by Computershare Trust Company of Canada.

"**Effective Dates**" means, collectively, the Initial Effective Date and the Second Effective Date.

"**Eligible Institution**" means a Canadian schedule I chartered bank, a member of the Securities Transfer Agent Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP); members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Industry Regulatory Organization of Canada, members of the Financial Industry Regulatory Authority or banks and trust companies in the United States.

"**Encumbrance**" means any encumbrance, lien, charge, security interest, option, privilege or other restriction or right of any kind or nature, and any right or privilege capable of becoming any of the foregoing.

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to subsection 193(9)(a) of the ABCA as such order may be affirmed, amended or modified by any court of competent jurisdiction.

"**GPCo**" means NAL GP Ltd., a corporation formed upon the amalgamation of NAL GP Ltd. and Spearpoint under the laws of the Province of Alberta.

"**Initial Effective Date**" means the date shown on the Certificate issued by the Registrar.

"**Interim Order**" means the interim order of the Court pursuant to subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction, which order is attached as Appendix "B" to this Circular.

"**IRS**" means the United States Internal Revenue Service.

"**Legacy Royalty**" means the royalty granted by NAL Energy to the Trust in respect of 99% of the net production revenue less certain prescribed deductions of NAL Energy pursuant to the terms of the Royalty Agreement.

"**Letter of Transmittal**" means the letter of transmittal accompanying this Circular pursuant to which a registered Unitholder is required to deliver the certificate or certificates representing the Unitholder's Trust Units to receive, upon completion of the Arrangement, a DRS Advice representing the Common Shares issued to the Unitholder pursuant to the Arrangement.

"**Manager**" means NAL Resources Management Limited, a corporation incorporated under the CBCA and the manager of the Trust pursuant to the Administrative Services Agreement.

"**Manulife**" means The Manufacturers Life Insurance Company, a corporation incorporated under the *Insurance Companies Act* (Canada).

"**MD&A**" means the management's discussion and analysis of the Trust for the years ended December 31, 2009 and 2008, incorporated by reference in this Circular.

"**Meeting**" means the special meeting of the Unitholders to be held to consider, among other things, the Arrangement Resolution, and, if applicable, the Deferred Share Unit Plan Resolution, and any adjournment(s) thereof.

"**Minister**" means the Minister of Finance (Canada).

"**NAL-ACE**" means NAL Petroleum (ACE) Ltd., a corporation formed upon the amalgamation of Alberta Clipper and BEL under the laws of the Province of Alberta.

"**NAL Energy**" means NAL Energy Inc., a corporation amalgamated under the laws of the Province of Alberta.

"**NAL Energy GP**" means NAL Energy (General Partner) Inc., the corporation formed upon the amalgamation of NAL Energy (General Partner) Inc. and Addison Energy Inc. under the laws of the Province of Alberta.

"**NAL Energy LP**" means NAL Energy Limited Partnership, a limited partnership formed under the laws of the Province of Alberta.

"**NAL Group**" means the Trust and its direct and indirect Subsidiaries.

"**NAL Partnership**" means NAL Canada West Partnership, a general partnership formed under the laws of the Province of Alberta.

"**New Administrative Services Agreement**" means the amended and restated Administrative Services Agreement among the Manager, Resources, Manulife and New NAL.

"**New NAL**" means NAL Energy Corporation, a corporation incorporated under the laws of the Province of Alberta.

"**New NAL Debentures**" means the Debentures as assumed by New NAL pursuant to the Arrangement.

"**New NAL DSU Account**" means an account maintained for a Director pursuant to the New NAL DSU Plan that is credited with notional grants of New NAL DSUs.

"**New NAL DSU Plan**" means the proposed deferred share unit plan of New NAL.

"**New NAL DSUs**" means the deferred share units credited under the terms of the New NAL DSU Plan.

"**Non-Resident Unitholder**" has the meaning set forth in "*Certain Canadian Federal Income Tax Considerations – Non-Resident Unitholders*" in this Circular.

"**Note Indenture**" means the note indenture dated August 28, 2007 between the Debenture Trustee and the Trust, as supplemented by a first supplemental indenture dated December 3, 2009, establishing and setting forth the terms of the Debentures.

"**Notice of Originating Application**" means the Notice of Originating Application by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL to the Court for the Final Order, which accompanies this Circular.

"**Notice of Special Meeting**" means the Notice of Special Meeting of Unitholders, which accompanies this Circular.

"**Person**" means any individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority or other entity.

"**Plan of Arrangement**" means the plan of arrangement attached as Schedule One to the Arrangement Agreement, which is attached as Appendix "A" to this Circular, as amended, modified or supplemented from time to time.

"**Properties**" means NAL Properties Inc., a corporation incorporated under the laws of the Province of Alberta.

"**Properties DSU Account**" means an account maintained for a director of Properties pursuant to the Properties DSU Plan that is credited with notional grants of Properties DSUs.

"**Properties DSU Plan**" means the deferred share unit plan established by Properties.

"**Properties DSUs**" means the deferred share units credited under the terms of the Properties DSU Plan.

"**Record Date**" means the close of business on November 9, 2010.

"**Registrar**" means the Registrar of Corporations appointed under section 263 of the ABCA.

"**Reorganization**" means a tax-deferred reorganization within the meaning of subsection 368(a)(1) of the Code.

"**Resources**" means NAL Resources Limited, a corporation incorporated under the laws of the Province of Alberta.

"**Royalty Agreement**" means the amended and restated royalty agreement among NAL Energy and the Trustee effective December 31, 2005, as amended effective June 1, 2008.

"**Second Effective Date**" means the date immediately following the Initial Effective Date.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval established pursuant to National Instrument 13-101 – *System for Electronic Document Analysis and Retrieval*.

"**Shareholders**" means the holders of Common Shares from time to time.

"**SIFT**" means a "specified investment flow-through trust" or a "specified investment flow-through partnership", each as defined in the Tax Act.

"**SIFT Rules**" means the legislative provisions governing the taxation of SIFTs and their unitholders, which were announced by the Minister on October 31, 2006 and which were enacted on June 22, 2007.

"**Spearpoint**" means Spearpoint Energy Corp., a corporation incorporated under the laws of the Province of Alberta and which amalgamated with NAL GP Ltd. to form GPCo.

"**Subsidiary**" has the meaning ascribed to it in the *Securities Act*, R.S.A. 2000, c. S-4, as amended.

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder.

"**Trust**" means NAL Oil & Gas Trust, an open-ended investment trust formed under the laws of the Province of Alberta and governed by the Trust Indenture.

"**Trust Indenture**" means the amended and restated trust indenture dated effective May 31, 2006 between the Trustee and NAL Energy, as amended effective May 31, 2008 and as the same may be further amended, modified or supplemented from time to time.

"**Trust Units**" means the trust units of the Trust authorized pursuant to the Trust Indenture.

"**Trustee**" means Computershare Trust Company of Canada, in its capacity as trustee of the Trust.

"**TSX**" means the Toronto Stock Exchange.

"**ULC**" means 1331899 Alberta ULC, an unlimited liability corporation incorporated under the laws of the Province of Alberta.

"**U.S. Exchange Act**" means the United States *Securities Exchange Act of 1934*, as amended, and the regulations thereunder.

"**U.S. GAAP**" means generally accepted accounting principles in the United States, as in effect from time to time.

"**U.S. Holder**" has the meaning set forth in "*Certain United States Federal Income Tax Considerations – Scope of this Disclosure – U.S. Holders*" in this Circular.

"**U.S. Holder Exchange**" means the exchange of Trust Units for Common Shares by U.S. Holders.

"**U.S. Securities Act**" means the United States *Securities Act of 1933*, as amended, and the regulations thereunder.

"**Unitholders**" means the holders of Trust Units at any time and from time to time.

"**USA**" means the amended and restated unanimous shareholder agreement of NAL Energy effective as of May 21, 2008 between Ventures Trust, NAL Energy and the Trustee, as amended.

"**Ventures Trust**" means NAL Ventures Trust, an unincorporated trust established pursuant to the laws of the Province of Alberta by the Ventures Trust Indenture.

"**Ventures Trust Indenture**" means the Declaration of Trust dated August 1, 2002 between NAL Ventures Inc. and the Manager, as amended by a First Amended and Restated Trust Indenture dated August 1, 2002 between NAL Ventures Inc. and the Manager.

## QUESTIONS AND ANSWERS ON VOTING

As your vote is important to us, set forth below is some guidance on voting your Trust Units. Note that unless otherwise specified, the answers relate to all Unitholders regardless of whether you are a registered or Beneficial Holder (as explained below). To ensure representation of your Trust Units at the Meeting, please complete, sign and return your proxy form or, if you are a Beneficial Holder, your voting instruction form, as soon as possible. It is important that your Trust Units be represented at the Meeting and that your wishes be made known to the Trust. This will be assured, whether or not you attend the Meeting, if you complete and sign the proxy form or the voting information form, as the case may be, and return it as soon as possible.

**Q: Am I a registered Unitholder?**

A: You are a registered Unitholder if you hold any Trust Units in your own name. Your Trust Units are represented by a physical Trust Unit certificate. If you are not sure whether you are a registered Unitholder, please contact Computershare at 1-800-564-6253.

**Q: Am I a Beneficial (non-registered) Holder?**

A: You are a Beneficial Holder if you hold your Trust Units through a broker, financial institution, trustee, nominee or other intermediary. In such circumstances, your Trust Units are not represented by a physical Trust Unit certificate but are recorded on an electronic system. If you are not sure whether you are a Beneficial Holder, please contact Computershare at 1-800-564-6253.

**Q: Am I entitled to vote?**

A: If you are a holder of Trust Units at the close of business on Tuesday, November 9, 2010, you are entitled to vote at the Meeting on the following items:

- the Arrangement Resolution;
- the Deferred Share Unit Plan Resolution; and
- any other business, if any, properly brought before the Meeting.

**Q: How many votes am I entitled to?**

A: For each Trust Unit you hold you are entitled to one vote on each matter coming before the Meeting.

**Q: How will the items of business be decided at the Meeting?**

A: The affirmative vote of not less than 66 $\frac{2}{3}$ % of the votes cast by Unitholders who are present in person or represented by proxy at the Meeting is required to approve the Arrangement Resolution.

The affirmative vote of more than 50% of the votes cast by Unitholders who are present in person or represented by proxy at the Meeting is required to approve the Deferred Share Unit Plan Resolution.

**Q: How do I vote?**

A: If you are a **registered Unitholder**, you can vote in person at the Meeting or by proxy, telephone or by using the internet.

- (a) To vote in person – do not complete and return the form of proxy but simply attend the Meeting where your vote will be taken and counted. Be sure to register with Computershare, our transfer agent and registrar, when you arrive at the Meeting.

- (b) To vote by proxy – mail or deliver the signed form of proxy to Computershare Trust Company of Canada at 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1. All proxies must be received by Computershare Trust Company of Canada by 3:00 p.m. (Calgary time) on December 14, 2010.
- (c) To vote by telephone – call the following toll free number: 1-866-732-VOTE (8683).
- (d) To vote using the internet – use the internet at [www.investorvote.com](http://www.investorvote.com).

Instructions as to how to convey your voting instructions by any of these means are set forth on the back of the form of proxy and should be carefully followed.

If you are a **Beneficial Holder**, your nominee will have their own means of conveying voting instructions which should be carefully followed. Most nominees will mail you a voting instruction form that will need to be completed and returned. In addition to conveying voting instructions by mail, a nominee may also provide you with the option to convey your voting instructions by telephone, facsimile or the internet.

If you hold your Trust Units both as a registered and Beneficial Holder, you will need to convey your vote using each of the applicable procedures set forth above applicable to the Trust Units for each type of holding.

**Q: As a Beneficial Holder can I vote in person at the Meeting?**

A: Yes, but only if you are appointed as proxyholder in respect of your Trust Units. We do not have a record of the names of the Beneficial Holders and so, if you attend the Meeting, we will not have a record of the number of Trust Units you beneficially own or your entitlement to vote, unless your nominee has appointed you as proxyholder. To be appointed, you should insert your own name in the space provided on the voting instruction form provided to you by your nominee and carefully follow the instructions provided. Do not otherwise complete the form. This will allow you to attend the Meeting and vote your Trust Units in person. Be sure to register with Computershare, our transfer agent and registrar, when you arrive at the Meeting.

**Q: Can I appoint a person as proxyholder other than the management nominees, Andrew B. Wiswell and Keith A. Steeves?**

A: **You can appoint a person or company other than the management nominees named in the form of proxy as your proxyholder.** Whether or not you attend the Meeting, you have the right to appoint a person or company, who does not need to be a Unitholder, to represent you and vote your Trust Units in accordance with your voting instructions at the Meeting. To exercise this right, insert the name of the person or company you wish to act as proxyholder, or complete another proper form of proxy.

**Q: Who is soliciting my proxy?**

A: The management of NAL Energy is soliciting your proxy and the costs of doing so are being borne by NAL Energy. In addition to soliciting proxies on behalf of the Trust by mail, agents of NAL Energy may also, without special compensation, solicit proxies in person or by telephone, facsimile or other form of electronic communication.

**Q: How will my proxy be voted?**

A: Your proxyholder, whether it is the management nominees or another person designated by you, must vote in accordance with the instructions you have given. If you do not convey any instructions and appoint a proxyholder, you can let your proxyholder decide your vote for you. If you do not give any instructions and appoint the management nominees as proxyholder or your proxyholder does not give specific instructions, your Trust Units will be voted **FOR** the Arrangement Resolution and **FOR** the Deferred Share Unit Plan Resolution.

**Q: What if there are amendments or variations to the items of business set forth in the Notice of Special Meeting or other matters are brought before the Meeting?**

A: The enclosed form of proxy gives the persons named in it the authority to use their discretion on voting on amendments or variations to the items set forth in the Notice of Special Meeting and on any other matters properly brought before the Meeting. Proxyholders will vote in accordance with their best judgment pursuant to this discretionary authority.

As at the date of this Circular, the Board of Directors and management of NAL Energy do not know of any variations or amendments to the proposed items of business or any additional matters which may be presented for consideration at the Meeting.

**Q: Can I change my mind once I have submitted my proxy?**

A: Yes. You can revoke your proxy at any time before it is acted upon.

If you are a **registered Unitholder**, in addition to revocation by any other manner permitted by law:

- (a) you, or your attorney authorized in writing, may revoke your proxy by signing a written proxy revocation; or
- (b) if the Unitholder is a corporation, it may revoke the proxy by a written proxy revocation signed under corporate seal or by an authorized officer or attorney of the corporation.

The proxy revocation document must be received by Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department):

- (a) no later than 3:00 p.m. (Calgary time) on Tuesday, December 14, 2010; or
- (b) if the Meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the time set for the adjourned Meeting, or

alternatively, be given to the meeting Chair on the day of the Meeting or the day of any adjourned Meeting. If an instrument of revocation is deposited with the Chair of the Meeting, it will not be effective with respect to any item of business that has been voted upon prior to the deposit. If you conveyed your voting instructions by telephone or the internet then conveying new instructions will revoke prior instructions. The proxy is revoked when the proxy revocation notice is delivered in one of these ways.

If you are a **Beneficial Holder**, you should contact your nominee for instructions on how to revoke your voting instruction form.

**Q: Who counts the votes?**

A: Computershare, our transfer agent and registrar, will act as scrutineer at the Meeting.

**Q: Who can I contact if I have any further questions on voting at the Meeting?**

A: You can contact:

Computershare, our transfer agent and registrar:

By E-mail: [service@computershare.com](mailto:service@computershare.com)

By Telephone: 1-800-564-6253

**Q: How do I exchange my Trust Units for Common Shares?**

A: A Letter of Transmittal has been sent with this Circular to all registered Unitholders. The Letter of Transmittal contains, among other things, instructions on how Unitholders may obtain a DRS Advice in respect of the Common Shares that such Unitholders are entitled to receive in exchange for their Trust Units pursuant to the Arrangement. Beneficial Holders whose Trust Units are registered in the name of a broker, dealer, bank, trust company or other nominee should contact such nominee for assistance in exchanging their Trust Units for Common Shares. See "*The Arrangement – Procedure for Exchange of Securities – Trust Units*".

## SUMMARY OF INFORMATION CIRCULAR

*The following is a summary of certain information contained elsewhere in this Circular, including the Appendices hereto, and is qualified in its entirety by reference to the more detailed information contained or referred to elsewhere in this Circular or in the Appendices hereto. Capitalized terms not otherwise defined herein are defined in the "Glossary of Terms".*

### **The Meeting**

The Meeting will be held in the McMurray Room of the Calgary Petroleum Club, 319 – 5th Avenue S.W., Calgary, Alberta on Thursday, December 16, 2010 at 3:00 p.m. (Calgary time) for the purpose set forth in the accompanying Notice of Special Meeting. At the Meeting, Unitholders will be asked to consider and, if thought advisable, pass the Arrangement Resolution and the Deferred Share Unit Plan Resolution and to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof. Unitholders of record as of the close of business on November 9, 2010 are entitled to receive notice of and to vote at the Meeting.

### **The Arrangement**

On October 20, 2010, the Board of Directors unanimously resolved to proceed with the Arrangement and the Trust announced that, prior to the tax imposed by the SIFT Rules becoming applicable to the Trust, it would be restructured from an income trust to a taxable Canadian corporation. On November 9, 2010, the Board of Directors approved the entering into of the Arrangement Agreement among the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, the implementation of the Plan of Arrangement and the submission of the Arrangement Resolution to the Unitholders for a vote at the Meeting. Since no tax advantage remains to being a publicly traded income trust under the SIFT Rules after December 31, 2010, the Board of Directors believes that it is appropriate for the Trust to convert to a corporate structure.

If approved, the Arrangement will result in the reorganization of the Trust into a dividend paying corporation, New NAL, on the Initial Effective Date. New NAL will, directly or indirectly, carry on the business currently carried on by the Trust and its Subsidiaries. Following the completion of the Arrangement, the Board of Directors and management of New NAL will be comprised of the members of the Board of Directors and executive officers of NAL Energy immediately prior to such Arrangement and the Manager will continue as the manger of New NAL under the New Administrative Services Agreement. See "*Information Concerning NAL Energy Corporation*" and Appendix "D" – "*Information Concerning NAL Energy Corporation*".

Pursuant to the Arrangement, Unitholders will receive one Common Share for each Trust Unit held at the Initial Effective Date.

Pursuant to the Arrangement, the outstanding 6.25% Debentures and the 6.75% Debentures will be assumed by New NAL and the Debentures will be convertible into Common Shares instead of Trust Units on the same conversion basis.

Pursuant to the Arrangement, all necessary changes will be made to the terms of the Properties DSU Plan and the Properties DSUs outstanding thereunder to reflect the exchange of Trust Units for Common Shares, so as to preserve, but not enlarge, the economic rights of holders of the Properties DSUs as they existed immediately prior to the Arrangement. Immediately following the Arrangement, New NAL intends to adopt the New NAL DSU Plan pursuant to which New NAL DSUs may be granted to Directors of New NAL and its Subsidiaries. Each New NAL DSU will entitle the holder, upon ceasing to be a Director, to a payment based on the then current value of a Common Share, such payment to be made in cash or Common Shares or a combination thereof (less applicable withholding taxes).

As well, it is proposed that the DRIP be assumed by New NAL so that, among other things, Unitholders who were participants in the distribution reinvestment component of the DRIP will be deemed to be participants in the dividend reinvestment component of the Amended DRIP without any further action on their part.

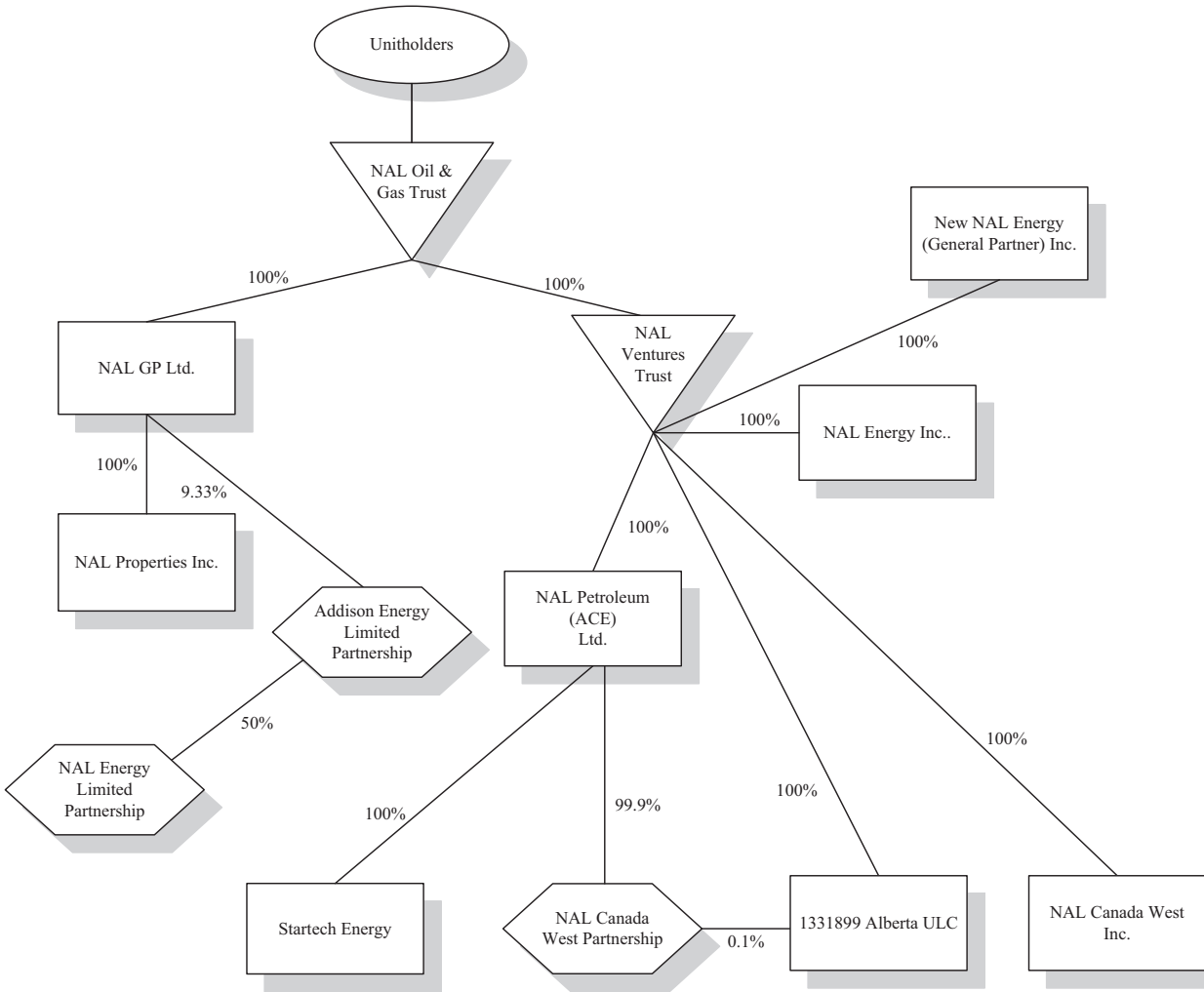
With respect to the Trust's monthly distribution payable on January 17, 2011, the Trust's obligation to issue Trust Units under the DRIP in respect of such distribution will be satisfied instead by the issuance of Common Shares by New NAL reserved and authorized for issuance under the Amended DRIP.

Upon the completion of the Arrangement, it is intended that the Credit Facility will be amended to add New NAL as a party and remove the Trust and Properties as parties. The Trust expects that the Credit Facility will be amended and restated effective January 1, 2011.

See "*The Arrangement – Effect of the Arrangement on Unitholders*", "*The Arrangement – Interests of Certain Persons or Companies in the Arrangement*", "*The Arrangement – Effect of the Arrangement on Outstanding Debt*", and Appendix "D" – "*Information Concerning NAL Energy Corporation*".

**Current Organizational Structure**

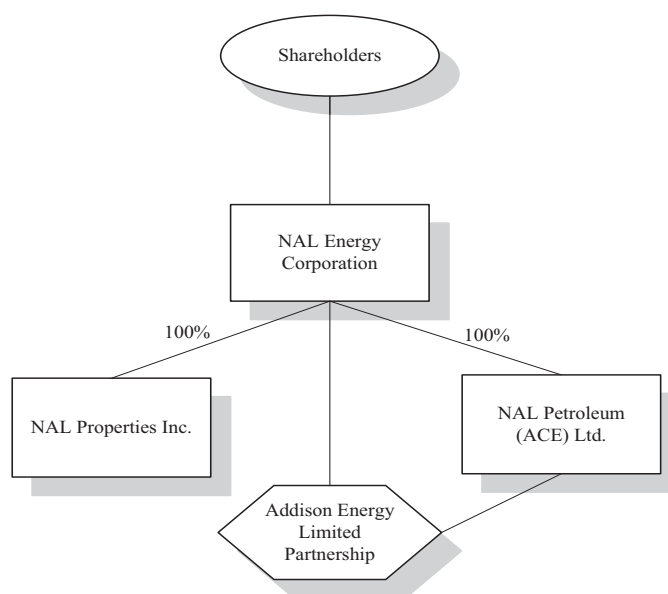
The following diagram sets forth the current organizational structure of the Trust.



It is proposed that the existing organizational structure of the Trust be simplified as part of the Arrangement. See "*The Arrangement – Details of the Arrangement*".

## Post-Arrangement Structure

Immediately following the Initial Effective Date, former Unitholders will hold all of the outstanding Common Shares of New NAL, which shall be named NAL Energy Corporation. The following diagram illustrates the organizational structure of New NAL immediately following the dissolution of the Trust on the Second Effective Date.



Assuming that the same number of Trust Units are outstanding on the Initial Effective Date as were outstanding on November 12, 2010, upon the completion of the Arrangement an aggregate of 146,837,847 Common Shares will be issued and outstanding.

## Dividend Policy

The Trust's monthly distribution payable on January 17, 2011 to Unitholders of record on December 22, 2010 will not be affected by the Arrangement and will be paid in the usual manner.

New NAL has not declared or paid any dividends since its incorporation and will not declare any dividends prior to completion of the Arrangement. Following the completion of the Arrangement, the Board of Directors anticipates that New NAL will pay a monthly dividend of \$0.07 per Common Share, a reduction from the current monthly cash distribution of \$0.09 per Trust Unit, such dividend payment representing an annual dividend of \$0.84 per Common Share, the first of which is anticipated to be paid on February 15, 2011 to Shareholders of record on January 24, 2011. New NAL expects to designate any dividends paid as "eligible dividends" for Canadian federal income tax purposes, which are anticipated to qualify for the enhanced federal dividend tax credit in Canada. However, no assurance can be given that all dividends will be designated as "eligible dividends". See "*The Arrangement – Dividend Policy*" and "*Risk Factors – Risk Factors Relating to the Activities of New NAL and the Ownership of Common Shares*".

## Anticipated Benefits of the Arrangement

The Board of Directors believes that the proposed Arrangement will enable the Trust to pursue its current strategic plan and strategy of efficient capital management and deliver strong returns through sustainable dividend payments and capital appreciation for the benefit of Unitholders. Given the changes to tax legislation regarding SIFTs resulting in the diminished value of a publicly traded income trust structure, the Board of Directors believes that the best opportunity for creating value for Unitholders is to move to a corporate structure effective December

31, 2010, allowing the Trust to continue to benefit from its current income trust structure for the maximum time permitted and to thereafter continue as a dividend paying public corporation.

The Board of Directors believes that the Arrangement provides a number of compelling and strategic benefits including, among other things, the expectation that the Arrangement will:

- allow the business of the Trust to operate in a simplified and more efficient corporate structure making it easier for market participants to understand and value;
- permit New NAL's financial and operational performance to be more easily valued relative to its corporate peers;
- eliminate the additional administrative and compliance costs associated with an income trust structure;
- remove the restrictions on non-resident ownership applicable to "mutual fund trusts" (as defined in the Tax Act), which may provide New NAL with greater access to capital in Canada and other international markets to enable it to exploit future acquisition opportunities, compete effectively for acquisitions and pursue growth initiatives;
- attract new investors and provide a more liquid market for the Common Shares following the conversion;
- remove the Trust from any uncertainty that exists today in the publicly traded income trust marketplace;
- better position New NAL to invest in attractive opportunities for growth and expansion;
- provide for the payment of dividends to Shareholders with a view to sustainability while at the same time delivering an appropriate level of returns through capital appreciation; and
- be accomplished, from a Canadian and United States federal income tax perspective, on a tax-deferred rollover basis for Unitholders.

See "*The Arrangement – Background to the Arrangement*" and "*The Arrangement – Anticipated Benefits of the Arrangement*".

#### **Approval and Recommendation of the Board of Directors**

The Board of Directors has reviewed the Arrangement Agreement and, based on its own investigations and on the advice of independent legal counsel and tax advisors, has unanimously determined that the Arrangement is fair to Unitholders and in the best interests of the Trust and Unitholders. **Accordingly, the Board of Directors unanimously recommends that Unitholders vote FOR the Arrangement Resolution.**

In formulating its recommendation, the Board of Directors considered a number of factors in addition to those described elsewhere in this Circular, including, but not limited to, the following:

- the purpose and anticipated benefits of the conversion to a corporation described elsewhere in this Circular;
- a review of the Trust's strategic objectives and business plan and the optimal structure to maximize Unitholder value while maintaining appropriate and stable cash distributions or dividend payments to Unitholders;

- the pressure on trading prices for securities of income trusts which has resulted from the decline in investor interest in the trust sector as a result of the SIFT Rules and the uncertainty surrounding income trust structures;
- the fact that Unitholders would be expected to receive distributions in the form of eligible dividends following any conversion;
- that a conversion to a corporate structure is expected to attract a broader investor base which may reduce financing costs and increase equity valuations for New NAL;
- that a conversion to a corporate structure is expected to facilitate the Trust's access to capital through bank borrowings as well as debt and equity capital markets in order to finance growth opportunities in the most efficient and cost-effective manner;
- that commencing in 2011, the SIFT Rules will, absent the Arrangement, apply to the Trust, such that the effective tax rate for the Trust will generally be the same for corporations, thereby removing the principal benefit of the current income trust structure;
- a review of the normal growth and undue expansion limitations under the SIFT Rules, as well as the restrictions on non-resident ownership for mutual fund trusts under the Tax Act and other relevant Canadian legislation;
- that the exchange of Trust Units for Common Shares pursuant to the Plan of Arrangement may be accomplished on a tax-deferred basis for Canadian and United States federal income tax purposes;
- that the Arrangement must receive the appropriate approval from Unitholders and the Court;
- that the conversion to a corporate structure would be effective December 31, 2010, allowing the Trust to continue to benefit from its publicly traded income trust structure for the maximum time permitted prior to the tax imposed by the SIFT Rules becoming effective; and
- the advice of external legal counsel and tax advisors.

The foregoing discussion of the information and factors considered and evaluated by the Board of Directors is not intended to be exhaustive. In reaching the determination to approve and recommend the Arrangement Resolution, the Board of Directors did not assign any relative or specific weight to the factors that were considered, and individual Directors may have given different weight to each factor. There are risks associated with the Arrangement, including that some of the potential benefits set forth in this Circular may not be realized or that there may be significant costs associated with realizing such benefits. See "*Risk Factors*".

As of November 9, 2010, the Directors and executive officers of NAL Energy, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 124,866 Trust Units, representing less than one percent of the outstanding Trust Units. **Each of the Directors and executive officers of NAL Energy have indicated they intend to vote all of their Trust Units FOR the Arrangement Resolution.**

See "*The Arrangement – Approval and Recommendation of the Board of Directors*".

## **Approvals**

### ***Unitholder Approval***

Pursuant to the Interim Order, the Arrangement Resolution must be approved by a majority of not less than 66⅔% of the votes cast by Unitholders, voting in person or represented by proxy at the Meeting. The form of proxy or voting instruction form allows Unitholders to vote "for" or "against" the Arrangement Resolution. **Unless**

**otherwise directed by Unitholders appointing them proxy, the persons named in the enclosed form of proxy intend to vote the Trust Units represented thereby FOR the Arrangement Resolution.**

Notwithstanding the foregoing, the Arrangement Resolution proposed for consideration by the Unitholders authorizes and empowers any Director, without further notice to or approval of such Unitholders, subject to the terms of the Arrangement, to amend, modify, supplement or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement and, subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions and to revoke the Arrangement Resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement, notwithstanding that the Arrangement Resolution has been duly passed by the Unitholders or that the Arrangement has received the approval of the Court. The full text of the Arrangement Resolution is attached as Appendix "C" to this Circular.

If the Arrangement Resolution is approved, Unitholders will also be asked to consider and, if thought advisable, to pass an ordinary resolution, the full text of which is set forth in this Circular, approving the adoption of the New NAL DSU Plan. If approved at the Meeting, the New NAL DSU Plan will come into effect immediately following the completion of the Arrangement. The number of votes required to pass the Deferred Share Unit Plan Resolution shall be a majority of not less than one half plus one of the votes cast by Unitholders in person or by proxy at the Meeting. **Unless otherwise directed by Unitholders appointing them proxy, the persons named in the enclosed form of proxy intend to vote the Trust Units represented thereby FOR the Deferred Share Unit Plan Resolution.**

#### *Court Approvals*

##### Interim Order

On November 12, 2010, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Appendix "B" to this Circular.

##### Final Order

The ABCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and provided the Arrangement Resolution is first approved by Unitholders at the Meeting in the manner required by the Interim Order, the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL will make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for December 17, 2010 at 9:30 a.m. (Calgary time), or as soon thereafter as counsel may be heard. At the hearing, any Unitholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon the Trust a Notice of Appearance together with any evidence or materials which such party intends to present to the Court on or before noon (Calgary time) on December 10, 2010. **Service of such notice shall be effected by service upon the solicitors of the Trust: Bennett Jones LLP, 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7, Attention: Laurie A. Goldbach.**

The Trust has been advised by its counsel, Bennett Jones LLP, that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, the Trust may determine not to proceed with the Arrangement.

#### *Stock Exchange Listing Approvals*

The TSX has conditionally approved, among other things, the substitutional listing of (i) the Common Shares issuable by New NAL pursuant to the Arrangement in substitution for the issued and outstanding Trust Units,

(ii) the New NAL Debentures (iii) the Common Shares issuable upon the conversion, redemption or maturity of the New NAL Debentures, (iv) the Common Shares to be reserved and authorized for issuance under the Amended DRIP, and (v) the Common Shares to be reserved and authorized for issuance under the New NAL DSU Plan. The listing of the Common Shares and the New NAL Debentures on the TSX is subject to New NAL fulfilling all of the listing requirements of the TSX. The TSX listing requirements are expected to be met on or before the Second Effective Date or as soon as reasonably practicable thereafter.

### ***Other Regulatory Approvals***

In addition to the approval of Unitholders and the Court, it is a condition precedent to the implementation of the Arrangement that all requisite regulatory consents, approvals and authorizations be obtained.

### ***Third Party Approvals***

The Arrangement is also conditional upon the receipt of all necessary material third party consents, approvals and authorizations, including the consent and approval from Ventures Trust's and Properties' principal lenders.

### **Certain Canadian Federal Income Tax Considerations**

A Unitholder that is resident in Canada and that disposes of his, her or its Trust Units to New NAL in exchange for Common Shares pursuant to the Arrangement will not realize a capital gain or a capital loss on the disposition of his, her or its Trust Units. The cost of the Common Shares received by the Unitholder pursuant to the Arrangement will be equal to the aggregate adjusted cost base of the Trust Units held by the Unitholder immediately prior to the Arrangement. A Non-Resident Unitholder that disposes of Trust Units to New NAL in exchange for Common Shares generally will not be subject to Canadian federal income taxation provided such Trust Units do not constitute "taxable Canadian property" to such Unitholder for purposes of the Tax Act.

The foregoing summary is of a general nature only and is qualified in its entirety by the summary of the principal Canadian federal income tax considerations contained in this Circular. See "*Certain Canadian Federal Income Tax Considerations*". **All Unitholders should consult their own tax or other professional advisors, legal counsel or accountants regarding the tax consequences of the exchange.**

### **Certain United States Federal Income Tax Considerations**

There is no legal authority directly addressing the U.S. federal income tax treatment of a transaction such as the U.S. Holder Exchange. Although the matter is not free from doubt, the U.S. Holder Exchange should qualify in general as part of a tax-deferred Reorganization. However, qualification of the U.S. Holder Exchange as part of a Reorganization is not clear and will depend upon the occurrence of events subsequent to the date of this Circular. These events cannot be predicted with accuracy. U.S. Holders should consult their own U.S. tax advisors regarding the proper tax reporting of the U.S. Holder Exchange.

The foregoing summary is of a general nature only and is qualified in its entirety by the summary of the principal United States federal income tax considerations contained in this Circular. See "*Certain United States Federal Income Tax Considerations*", including in particular "*Notice Pursuant to U.S. Treasury Department Circular 230*". **All Unitholders should consult their own tax or other professional advisors, legal counsel or accountants regarding the tax consequences of the exchange.**

### **Timing of Completion of the Arrangement**

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions to the Arrangement are satisfied or waived, the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL will apply for the Final Order approving the Arrangement on December 17, 2010. If the Final Order is obtained on December 17, 2010 in form and substance satisfactory to the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, and all other conditions set forth in

the Arrangement Agreement are satisfied or waived, the Trust expects that the Initial Effective Date will occur on December 31, 2010 and the Second Effective Date will occur on January 1, 2011. The Effective Dates could be delayed, however, for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order on December 17, 2010.

The provisions of the Arrangement that are intended to become effective on each of the Effective Dates pursuant to the Plan of Arrangement will, respectively, become effective upon the filing, on such dates, with the Registrar of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

### **Risk Factors**

The risk factors relating to the business of the Trust and the industries in which it operates will generally continue to be relevant to New NAL following the Effective Dates and will not be affected by the Arrangement.

**Moreover, the following is a list of certain key risk factors relating to the activities of New NAL and its Subsidiaries, and the ownership of Common Shares following the Initial Effective Date, which prospective investors should carefully consider before making an investment decision relating to Common Shares:**

- the uncertainty of future dividend payments by New NAL and the level and timing thereof, as New NAL's dividend policy and the funds available for the payment of dividends from time to time and the timing of the payment of any dividends will be dependent upon, among other things, operating cash flow generated by New NAL and its Subsidiaries, the execution of its growth strategy, financial requirements for New NAL's operations, limitations under the Credit Facility as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends;
- the unavailability of external sources of capital, including debt financing and equity financing, could impair New NAL's ability to make the necessary capital investments to expand its asset base and operations;
- New NAL's activities will be subject to complex and stringent laws and regulations. Existing laws and regulations may be revised or new laws and regulations may become applicable to New NAL, and each may have a negative effect on New NAL's business and results of operations;
- New NAL will compete directly with other companies that may have greater resources and access to capital. Competition could adversely affect New NAL's performance;
- compliance with federal and provincial environmental legislation can require significant expenditures and a breach of such legislation may result in the suspension or revocation of necessary licenses and authorizations, civil liability for personal injury or environmental damage and the imposition of fines and penalties;
- the level of New NAL's consolidated indebtedness from time to time could impair New NAL's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise;
- New NAL may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of New NAL which may be dilutive;
- the inability of New NAL to manage growth effectively could have a material adverse impact on its business, operations and prospects; and

- the Board of Directors of New NAL may be engaged in business interests on their own behalf and on behalf of other companies and may face situations where they are in direct competition with New NAL and conflicts of interest may arise.

See "*Risk Factors*". In addition, for a description of risk factors in respect of the structure of the Trust, see pages 44 to 50 of the Annual Information Form, which is incorporated herein by reference. **Unitholders should carefully consider all risk factors set forth herein and in the Annual Information Form.**

**Unitholders are encouraged to obtain independent legal, tax, financial and investment advice in their jurisdiction of residence with respect to this Circular, the consequences of the Arrangement and the holding and disposing of Trust Units, Debentures, Common Shares and New NAL Debentures.**

## VOTING TRUST UNITS AND PRINCIPAL HOLDERS THEREOF

As at the date of this Circular and to the best of the knowledge of the Trustee and the Directors and executive officers of NAL Energy and the Manager, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the issued and outstanding Trust Units. NAL Energy is an indirect wholly-owned Subsidiary of the Trust.

The sole beneficiaries of the Trust are the Unitholders. On a show of hands, every Unitholder present in person or represented by proxy (and entitled to vote) has one vote. On a poll or ballot every Unitholder present in person or represented by proxy (and entitled to vote) has one vote for each Trust Unit held. On November 12, 2010 the Trust had 146,837,847 Trust Units issued and outstanding.

Only persons who are registered Unitholders at the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting, even if such persons dispose of their Trust Units following the Record Date. Persons who acquired Trust Units after November 9, 2010 are not entitled to receive notice of or to vote at the Meeting.

## APPOINTMENT AND REVOCATION OF PROXY

### Solicitation of Proxies

The solicitation of proxies will be made primarily by mail, but the agents of NAL Energy may also, without special compensation, solicit proxies in person or by telephone, facsimile or other form of electronic communication. The costs of this solicitation of proxies and the preparation and mailing of this Circular will be borne by NAL Energy.

### Appointment of Proxy

If you wish to have your Trust Units voted at the Meeting by proxy, you must submit a properly completed instrument of proxy to Computershare, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department). **In order to be valid and acted upon at the Meeting, properly completed forms of proxy must be received by Computershare not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the Meeting.**

If you want to appoint a proxyholder, you must do so in a written document appointing a proxyholder and such document must be executed by you or by your duly authorized attorney in writing. If you are a corporation, the document must be signed under corporate seal or by a duly authorized officer or attorney of the corporation. An instrument of proxy signed by a person acting as attorney or in some other representative capacity should expressly reflect such capacity (following his or her signature) and should be accompanied by the appropriate instrument evidencing his or her qualification and authority to so act.

If you receive more than one form of proxy because you own Trust Units registered in different names or addresses, each form of proxy should be completed and returned.

**The persons designated in the enclosed form of proxy furnished by management are directors and/or officers of NAL Energy. If you are entitled to vote at the Meeting, you may appoint a person other than those named in the enclosed form of proxy to attend and act for and on behalf of you at the Meeting or any adjournment thereof. To exercise this right, you must insert the name of the person you want to represent you (who does not need to be a Unitholder) in the blank space provided in the enclosed form of proxy and submit such form in the manner described above, or submit another appropriate instrument of proxy.**

### Revocation of Proxy

A Unitholder may revoke a proxy given for use at the Meeting at any time before it is acted upon. In addition to revocation in any other manner permitted by law:

- (a) a Unitholder, or an attorney of such holder authorized in writing, may revoke the proxy by signing a written proxy revocation; or
- (b) if a Unitholder is a corporation, it may revoke the proxy by a written proxy revocation signed under corporate seal or by an authorized officer or attorney of the corporation.

The proxy revocation document must be received by Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1 (Attention: Proxy Department):

- (a) no later than 3:00 p.m. (Calgary time) on Tuesday, December 14, 2010; or
- (b) if the Meeting is adjourned, at least 48 hours (excluding Saturdays, Sundays and statutory holidays in Alberta) before the time set for the adjourned Meeting, or

alternatively, be given to the meeting Chair on the day of the Meeting or the day of any adjourned Meeting. If an instrument of revocation is deposited with the Chair of the Meeting, it will not be effective with respect to any item of business that has been voted upon prior to the deposit. If you conveyed your voting instructions by telephone or the internet then conveying new instructions will revoke prior instructions. The proxy is revoked when the proxy revocation notice is delivered in one of these ways.

#### **Voting of Proxies and Exercise of Discretion by Proxyholders**

On any ballot taken at the Meeting, the nominees named in the enclosed form of proxy will vote the Trust Units in respect of which they have been appointed nominee in accordance with the directions of the Unitholder appointing them. In the absence of such direction, the Trust Units represented by valid instruments of proxy executed in favour of the management designees and deposited in the manner described above will be voted **FOR** the Arrangement Resolution and **FOR** the Deferred Share Unit Plan Resolution.

**The enclosed form of proxy gives discretionary authority to the persons named therein with respect to any amendments or variations to matters referred to in the Notice of Special Meeting and to any other business which may properly come before the Meeting.** At the time of printing this Circular, management knows of no such amendments, variations or other business to come before the Meeting other than the matters referred to in the Notice of Special Meeting. **However, if any amendment, variation or other business properly comes before the Meeting, the enclosed form of proxy gives discretionary authority to the persons named therein to vote on any such amendment, variation or other business in accordance with their best judgment.**

#### **Advice to Beneficial Holders of Trust Units**

**The information set forth in this section is very important to you if you do not hold Trust Units in your own name.** If you hold Trust Units through a broker, financial institution, trustee, nominee or other intermediary or otherwise (a "**Beneficial Holder**"), you should note that only proxies deposited by persons whose names appear on the records of the Trust as the registered holders of Trust Units will be recognized and acted upon at the Meeting.

Trust Units that are listed in an account statement provided to you by a broker are probably not registered in your own name on the records of the Trust. Such Trust Units are more likely to be registered in the name of your broker or an agent of that broker. In Canada, most such Trust Units are registered in the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Trust Units held by brokers or other intermediaries on your behalf can only be voted (for or against resolutions) at your direction. Without specific instructions, brokers and other intermediaries are prohibited from voting Trust Units for their clients. You should ensure that instructions regarding the voting of your Trust Units are communicated to the appropriate person by the appropriate time.

Applicable regulatory policy in Canada requires brokers and other intermediaries to seek voting instructions from you in advance of Unitholder meetings. Each broker or other intermediary has its own mailing

procedures and provides its own return instructions to clients. You should carefully follow these procedures and instructions to ensure that your Trust Units are voted at the Meeting. In some cases, the voting instruction form provided to you by or on behalf of your broker or other intermediary is very similar, even identical, to the enclosed form of proxy being solicited by management. The purpose of the voting instruction form provided by or on behalf of a broker or other intermediary, however, is limited to instructing the registered holder (the broker or other intermediary, or an agent thereof) how to vote on your behalf. Most brokers now delegate responsibility for obtaining voting instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically supplies voting instruction forms, mails those forms to you and asks you to return the forms to Broadridge or follow specified telephone or internet-based voting procedures. Broadridge then tabulates the results of all instructions received and provides appropriate instructions regarding the voting of Trust Units to be represented at the Meeting. **If you receive a voting instruction form from Broadridge, you cannot use that form to vote your Trust Units directly at the Meeting, but must instead return the voting instruction form to Broadridge or complete the telephone or internet-based voting procedures well in advance of the Meeting to have such Trust Units voted at the Meeting on your behalf.**

Although you may not be recognized directly at the Meeting for the purposes of voting Trust Units registered in the name of your broker or other intermediary, you may attend the Meeting as proxyholder for the registered holder and vote your Trust Units in that capacity. If you wish to attend the Meeting and indirectly vote your own Trust Units, you must do so as proxyholder for the registered holder. To do this, you should enter your own name in the blank space on the voting instruction form provided to you and return the document to your broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting.

### **Procedure and Votes Required**

The Interim Order provides that each registered Unitholder as of the close of business on the Record Date will be entitled to receive notice of, to attend and to vote at the Meeting.

Pursuant to the Interim Order:

- (1) each Trust Unit will be entitled to one vote at the Meeting;
- (2) the number of votes required to pass the Arrangement Resolution shall be not less than 66⅔% of the votes cast by Unitholders voting in person or represented by proxy at the Meeting; and
- (3) the quorum required for the Meeting shall consist of two Unitholders either present in person or represented by proxy at the Meeting and representing in the aggregate not less than 5% of the votes attached to the outstanding Trust Units. If a quorum is not present at the Meeting within one-half hour after the time fixed for the holding of the Meeting, the Meeting shall stand adjourned to such day being not less than 14 days later and to such place and time as may be appointed by the chairman of the Meeting. If at such adjourned meeting a quorum as described above is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the Meeting in accordance with the notice calling the same.

## **THE ARRANGEMENT**

### **Background to the Arrangement**

On October 31, 2006, the Minister announced a "Tax Fairness Plan" which, in part, proposed changes to the manner in which certain flow-through entities and distributions from such entities are taxed. This announcement had an immediate impact on the Canadian capital markets resulting in a significant decline in trading prices for income trusts, including the Trust, partnerships and numerous other Canadian securities. Now enacted, the SIFT Rules impose a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at a rate of tax comparable to the combined federal and provincial corporate tax rates and treats income distributions as

taxable dividends to Unitholders. Trusts that were publicly traded at the time of the Minister's announcement are generally entitled to a four year transition period and are not subject to the SIFT Rules until January 1, 2011, provided such trusts experience only "normal growth" and no "undue expansion" before that time. On December 15, 2006, the Minister issued normal growth guidelines which provided additional information on "normal growth" and "undue expansion" under the SIFT Rules. On December 4, 2008, the Minister announced certain changes to the normal growth guidelines.

On July 14, 2008, the Minister released specific proposals to amend the Tax Act that were intended to facilitate the conversion of SIFTs, such as the Trust, into taxable Canadian corporations (the "**SIFT Conversion Rules**") without any undue tax consequences. The SIFT Conversion Rules, as revised on February 2, 2009, received Royal Assent on March 12, 2009. As a consequence, a number of income trusts and partnerships in Canada have either converted or announced their intention to convert to a corporation.

Through the course of 2007, 2008 and 2009, management, financial advisors and external legal and tax counsel to the Trust carried out and reported to the Board of Directors detailed analyses regarding the strategic and structural alternatives available to the Trust as a result of the SIFT Rules and SIFT Conversion Rules as well as the current market environment in order to enable the Trust to achieve its strategic goals and objectives.

At a meeting held on August 10, 2010, the Board of Directors discussed the conversion of the Trust to a corporation by year-end 2010 in response to the enactment of the SIFT Rules and reviewed ongoing plans for the anticipated conversion and simplification of the existing organizational structure of the Trust. On September 15, 2010, the Board of Directors again reviewed the progress made on developing the plans for the conversion of the Trust to a corporation and the simplification of the organizational structure of the Trust.

At a meeting held on October 20, 2010, the Board of Directors unanimously resolved to proceed with the Arrangement following a thorough analysis of material information and after considering, among other things, advice received from external legal and tax advisors and management's assessment of the benefits and disadvantages regarding various structural alternatives and transactions. The Board of Directors unanimously determined that the Arrangement is fair to Unitholders and is in the best interests of the Trust and Unitholders and determined to recommend that Unitholders vote for the approval of the Arrangement Resolution. Also on October 20, 2010, the Trust announced that it would convert to a taxable Canadian corporation.

On November 9, 2010, the Board of Directors approved the entering into of the Arrangement Agreement, the implementation of the Plan of Arrangement and the submission of the Arrangement Resolution to the Unitholders for a vote at the Meeting. The Board of Directors further approved, among other things, the making of the necessary court and regulatory applications in connection with the Arrangement, various matters relating to the Arrangement, the contents of this Circular and the sending of it to Unitholders.

On November 10, 2010, the Arrangement Agreement was entered into by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL.

### **Anticipated Benefits of the Arrangement**

The Board of Directors believes that the proposed Arrangement will enable the Trust to pursue its current strategic plan and strategy of efficient capital management and deliver strong returns through sustainable dividend payments and capital appreciation for the benefit of Unitholders. Given the changes to tax legislation regarding SIFTs resulting in the diminished value of a publicly traded income trust structure, the Board of Directors believes that the best opportunity for creating value for Unitholders is to move to a corporate structure effective December 31, 2010, allowing the Trust to continue to benefit from its current income trust structure for the maximum time permitted and to thereafter continue as a dividend paying public corporation.

The Board of Directors believes that the Arrangement provides a number of compelling and strategic benefits including, among other things, the expectation that the Arrangement will:

- allow the business of the Trust to operate in a simplified and more efficient corporate structure making it easier for market participants to understand and value;
- permit New NAL's financial and operational performance to be more easily valued relative to its corporate peers;
- eliminate the additional administrative and compliance costs associated with an income trust structure;
- remove the restrictions on non-resident ownership applicable to "mutual fund trusts" (as defined in the Tax Act), which may provide New NAL with greater access to capital in Canada and other international markets to enable it to exploit future acquisition opportunities, compete effectively for acquisitions and pursue growth initiatives;
- attract new investors and provide a more liquid market for the Common Shares following the conversion;
- permit the more favourable tax treatment afforded to the receipt of dividends, as compared to distributions of income from an income trust under current Canadian tax laws, to result in more attractive after-tax returns for certain eligible taxable Canadian investors, depending on individual circumstances;
- remove the Trust from any uncertainty that exists today in the publicly traded income trust marketplace;
- better position New NAL to invest in attractive opportunities for growth and expansion;
- provide for the payment of dividends to Shareholders with a view to sustainability while at the same time delivering an appropriate level of returns through capital appreciation; and
- be accomplished, from a Canadian and United States federal income tax perspective, on a tax-deferred rollover basis for Unitholders.

### **Approval and Recommendation of the Board of Directors**

The Board of Directors has reviewed the Arrangement Agreement and, based on its own investigations and on the advice of independent legal counsel and tax advisors, has unanimously determined that the Arrangement is fair to Unitholders and in the best interests of the Trust and Unitholders. **Accordingly, the Board of Directors unanimously recommends that Unitholders vote FOR the Arrangement Resolution.**

In formulating its recommendation, the Board of Directors considered a number of factors in addition to those described elsewhere in this Circular, including, but not limited to, the following:

- the purpose and anticipated benefits of the conversion to a corporation described elsewhere in this Circular;
- a review of the Trust's strategic objectives and business plan and the optimal structure to maximize Unitholder value while maintaining appropriate and stable cash distributions or dividend payments to Unitholders;
- the pressure on trading prices for securities of income trusts which has resulted from the decline in investor interest in the trust sector as a result of the SIFT Rules and the uncertainty surrounding income trust structures;

- the fact that Unitholders would be expected to receive distributions in the form of eligible dividends following any conversion;
- that a conversion to a corporate structure is expected to attract a broader investor base which may reduce financing costs and increase equity valuations for New NAL;
- that the conversion to a corporate structure is expected to facilitate the Trust's access to capital through bank borrowings as well as debt and equity capital markets in order to finance growth opportunities in the most efficient and cost-effective manner;
- that commencing in 2011, the SIFT Rules will, absent the Arrangement, apply to the Trust, such that the effective tax rate for the Trust will generally be the same for corporations, thereby removing the principal benefit of the current income trust structure;
- a review of the normal growth and undue expansion limitations under the SIFT Rules, as well as the restrictions on non-resident ownership for mutual fund trusts under the Tax Act and other relevant Canadian legislation;
- that the exchange of Trust Units for Common Shares pursuant to the Plan of Arrangement may be accomplished on a tax-deferred basis for Canadian and United States federal income tax purposes;
- that the Arrangement must receive the appropriate approval from Unitholders and the Court;
- that the conversion to a corporate structure would be effective December 31, 2010, allowing the Trust to continue to benefit from its publicly traded income trust structure for the maximum time permitted prior to the tax imposed by the SIFT Rules becoming effective; and
- the advice of external legal counsel and tax advisors.

The foregoing discussion of the information and factors considered and evaluated by the Board of Directors is not intended to be exhaustive. In reaching the determination to approve and recommend the Arrangement Resolution, the Board of Directors did not assign any relative or specific weight to the factors that were considered, and individual directors may have given different weight to each factor. There are risks associated with the Arrangement, including that some of the potential benefits set forth in this Circular may not be realized or that there may be significant costs associated with realizing such benefits. See "*Risk Factors*".

**Unless otherwise directed by Unitholders appointing them proxyholder, the persons named in the enclosed form of proxy intend to vote the Trust Units represented thereby FOR the Arrangement Resolution.**

As of November 9, 2010, the Directors and executive officers of NAL Energy, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 124,866 Trust Units, representing less than one percent of the outstanding Trust Units. **Each of the Directors and executive officers of NAL Energy have indicated they intend to vote all of their Trust Units FOR the Arrangement Resolution.** William J. Eeuwes, a Director of NAL Energy, is responsible for overseeing Manulife's investment in the Trust. Manulife holds 1,592,357 Trust Units representing approximately 1.1% of all Trust Units issued and outstanding.

#### **Effect of the Arrangement on Unitholders**

If approved, the Arrangement will result in the reorganization of the Trust's income trust structure into a dividend paying corporation, New NAL, on the Effective Dates. New NAL will, directly or indirectly, carry on the business currently carried on by the Trust and its Subsidiaries. Following the completion of the Arrangement, the Board of Directors and management of New NAL will be comprised of the members of the Board of Directors and executive officers of NAL Energy immediately prior to such Arrangement and the Manager will continue as the manager of New NAL. See "*Information Concerning NAL Energy Corporation*" and Appendix "D" – "*Information Concerning NAL Energy Corporation*".

Pursuant to the Arrangement, Unitholders will receive one Common Share for each Trust Unit held on the Initial Effective Date. See *"The Arrangement – Details of the Arrangement – Arrangement Steps"*, *"Certain Canadian Federal Income Tax Considerations"*, *"Certain United States Federal Income Tax Considerations"* and *"The Arrangement – Procedure for Exchange of Securities – Trust Units"*. No fractional Common Shares will be issued pursuant to the Arrangement.

## **Dividend Policy**

New NAL has not declared or paid any dividends since its incorporation and will not declare any dividends prior to the completion of the Arrangement. Following the completion of the Arrangement, the Board of Directors anticipates that New NAL will pay a monthly dividend of \$0.07 per Common Share, a reduction from the current monthly cash distribution of \$0.09 per Trust Unit, such dividend payment representing an annual dividend of \$0.84 per Common Share, the first of which is anticipated to be paid on February 15, 2011 to Shareholders of record on January 24, 2011. New NAL expects to designate any dividends paid as "eligible dividends" for Canadian federal income tax purposes, which are anticipated to qualify for the enhanced federal dividend tax credit in Canada. However, no assurance can be given that all dividends paid will be designated as "eligible dividends".

The new dividend levels take into account commodity prices and allow for internally generated cash flow to support New NAL's organic development program and provide sustainable monthly dividends to Shareholders while maintaining financial flexibility. The Board of Directors will continue to assess dividend levels, taking into consideration commodity prices, internal capital reinvestment opportunities, the forecasted cash flow of New NAL, financial market conditions, the availability of financing and taxability.

The Trust's monthly distribution payable on January 17, 2011 to Unitholders of record on December 22, 2010 will not be affected by the Arrangement and will be paid in the usual manner.

**The amount and timing of any dividends payable by New NAL will be at the discretion of the Board of Directors of New NAL from time to time. The amount may vary depending on, among other things, New NAL's earnings, financial requirements for New NAL's operations, the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends and other conditions existing from time to time. In addition, the Board of Directors may alter the timing for the declaration and payment of dividends from monthly to quarterly or other periods of frequency. No assurance can be given that New NAL will continue to pay dividends in the future. See Appendix "D" – *"Information Concerning NAL Energy Corporation – Dividend Record and Policy"*.**

## **Effect of the Arrangement on Outstanding Debt**

### ***Credit Facilities***

On November 4, 2008, Ventures Trust and Properties, as joint and several borrowers, entered into an extendible revolving term credit facility and a revolving working capital facility with a syndicate of Canadian chartered banks and other financial institutions, which, as amended, provide for fully secured, extendible, revolving facilities in an aggregate amount of \$550 million. Upon completion of the Arrangement, it is intended that the Credit Facility will be amended to add New NAL as a party and remove the Trust and Properties as parties. The Trust expects that the Credit Facility will be amended and restated effective January 1, 2011.

### ***Debentures***

As at November 12, 2010, the Trust has \$115 million aggregate principal amount of 6.25% Debentures and \$79.74 million aggregate principal amount of 6.75% Debentures outstanding. The Debentures are convertible into Trust Units at the option of the Debentureholders at any time prior to the close of business on the earlier of maturity of the Debentures and the business day immediately preceding the date specified by the Trust for redemption of the Debentures, at a conversion price of \$16.50 per Trust Unit for the 6.25% Debentures and \$14.00 per Trust Unit for the 6.75% Debentures, respectively.

The Debentures were issued under the Note Indenture. The Note Indenture established and set forth the terms and conditions of the 6.25% Debentures and the 6.75% Debentures.

The transactions contemplated by the Arrangement will not result in a "Change of Control" as defined in the Note Indenture. Pursuant to the Arrangement and the successor provisions of the Note Indenture, New NAL will assume all of the covenants and obligations of the Trust under the Note Indenture in respect of the outstanding Debentures. Provided the Arrangement is completed, Debentureholders will thereafter be entitled to receive Common Shares, rather than Trust Units, on the basis of one Common Share in lieu of each Trust Unit which they were previously entitled to receive upon conversion. All other terms and conditions of the Note Indenture will continue to apply. As a result, following completion of the Arrangement, Debentureholders who subsequently wish to convert their New NAL Debentures will be entitled to receive approximately 60.6061 Common Shares for each \$1,000 principal amount of 6.25% Debentures converted and approximately 71.4286 Common Shares for each \$1,000 principal amount of 6.75% Debentures converted, subject to adjustment in certain circumstances as provided for in the Amended Note Indenture.

Debentureholders may convert their Debentures for Trust Units pursuant to the terms of the Note Indenture prior to the Initial Effective Date and participate in the Arrangement in the same manner as Unitholders.

The Debentures are currently listed and posted for trading on the TSX. The TSX has conditionally approved the listing of the Debentures to be assumed by New NAL pursuant to the Arrangement and has also conditionally approved the listing of the Common Shares to be reserved and allotted for issuance upon the conversion, redemption or maturity of the Debentures, subject, in each case, to New NAL fulfilling the requirements of the TSX.

The Trust, New NAL and the Debenture Trustee will enter into a supplemental indenture on the Initial Effective Date giving effect to the assumption of the Debentures by New NAL and the release of the Trust therefrom, in accordance with the terms of the Note Indenture. See Appendix "D" – *"Information Concerning NAL Energy Corporation – Pro Forma Consolidated Capitalization"*.

#### **Effect of the Arrangement on Deferred Share Units**

##### ***Amended Properties DSU Plan***

Effective January 1, 2006, Properties established a deferred share unit plan for the purpose of advancing the interests of the NAL Group by increasing the proprietary interests of directors in the Properties DSU Plan in the NAL Group, aligning the interests of participants with the interests of the Unitholders generally, encouraging participants to remain associated with the Trust and furnishing participants with an additional incentive in their efforts on behalf of the Trust. The Properties DSU Plan provides for the board of directors of Properties to determine annually the amount of Properties DSUs to be granted to directors.

Each Properties DSU represents the right to receive a cash payment from Properties equal to the "Market Value" of deferred share unit special preferred shares ("**DSU Shares**") in the capital of Properties calculated in the manner, and subject to the terms, set forth in the Properties DSU Plan. The "Market Value" of each Properties DSU is, on any particular date, the redemption price of the DSU Shares issued in connection with any grant of Properties DSUs. The redemption price is a price per DSU Share equal to the amount determined by multiplying the "Exchange Ratio" on the relevant date by the "Current Market Price" of a Trust Unit on the last business day prior to such date. The "Exchange Ratio" at any time and in respect of each DSU Share is equal to 1.00000 on the date of issuance, subject to cumulative adjustments thereafter for distributions paid by the Trust to Unitholders. The "Current Market Price" is, on any date, the weighted average trading price of a Trust Unit on the TSX for the five trading days preceding that date. Upon the cessation of a participant, for any reason, as a director of Properties, the Market Value of the Properties DSUs credited to the participant shall be redeemed and paid by Properties to the participant or the participant's beneficiary, as applicable.

Pursuant to the Arrangement, all necessary changes will be made to the terms of the DSU Shares, the Properties DSU Plan and the Properties DSUs outstanding thereunder to reflect the exchange of Trust Units for Common Shares, including appropriate changes to the definitions of "Market Value", "Exchange Ratio" and

"Current Market Price" so as to preserve, but not enlarge, the economic rights of holders of the Properties DSUs as they existed immediately prior to the Arrangement.

### *New NAL DSU Plan*

Immediately following the Arrangement, New NAL intends to adopt the New NAL DSU Plan pursuant to which New NAL DSUs may be granted to Directors of New NAL and its Subsidiaries. Each New NAL DSU will entitle the holder, upon ceasing to be a Director, to a payment based on the then current value of a Common Share, such payment to be made in cash or Common Shares or a combination thereof (less applicable withholding taxes). See "*Other Matters to be Considered at the Meeting – New NAL DSU Plan*".

### **Effect of the Arrangement on the DRIP**

Pursuant to the Arrangement, it is proposed that the DRIP be assumed by New NAL so that, among other things, Unitholders who were participants in the distribution reinvestment component of the DRIP will be deemed to be participants in the dividend reinvestment component of the Amended DRIP without any further action on their part.

In addition to the assumption of the DRIP pursuant to the Arrangement, the Trust will assign all associated agreements to New NAL and all such agreements will be amended and restated.

With respect to the distribution payable on January 17, 2011 to holders of Trust Units of record on December 22, 2010, the Trust's obligation to issue Trust Units under the DRIP in respect of such distribution will be satisfied instead by the issuance of Common Shares by New NAL reserved and authorized for issuance under the Amended DRIP.

See "*The Arrangement – Details of the Arrangement – Arrangement Steps*" and "*Certain Canadian Federal Income Tax Considerations*".

### **Administrative Services and Cost Sharing Agreement**

The Manager is engaged under the Administrative Services Agreement to manage the general and administrative affairs of the NAL Group, to advise the NAL Group with respect to the acquisition, development and disposition of oil and natural gas properties and to manage the oil and natural gas properties of the NAL Group. Under the terms of the Administrative Services Agreement, the Manager provides office space, office furnishings and equipment and personnel necessary for the proper administration of the assets of the NAL Group. Pursuant to the Administrative Services Agreement, the Manager is entitled to reimbursement for its general and administrative expenses in providing management and administrative services to the NAL Group. General and administrative expenses are generally charged to the NAL Group by the Manager based on the relative oil and gas production level of the NAL Group as compared to all of the oil and gas production managed by the Manager. Costs and expenses including, without limitation, management time incurred by the Manager in connection with the design and implementation of exploitation and development programs, are charged on an actual time expended basis. **The Manager does not receive any base or performance fees from the NAL Group.** The head and principal office of the Manager is located in Calgary, Alberta. The Manager is a wholly-owned Subsidiary of Manulife.

NAL Energy and the Manager are in the process of preparing the New Administrative Services Agreement, pursuant to which the Manager will be engaged to manage the general and administrative affairs of New NAL and its direct and indirect Subsidiaries following the completion of the Arrangement. The New Administrative Services Agreement will be on substantially the same terms as the existing Administrative Services Agreement. **The Manager will not receive any base or performance fees from New NAL under the terms of the New Administrative Services Agreement.** It is anticipated that the New Administrative Services Agreement will become effective on or about January 1, 2011. The entering into of the New Administrative Services Agreement on terms satisfactory to NAL Energy and New NAL is a condition to the completion of the Arrangement.

## **Details of the Arrangement**

### *Arrangement Steps*

Pursuant to the Arrangement, on the Initial Effective Date, each of the events set forth below shall occur and shall be deemed to occur in the following order without any further act or formality:

#### *Amendment of the Trust Indenture and the Ventures Trust Indenture*

- each of the Trust Indenture and the Ventures Trust Indenture shall be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions contemplated in the Plan of Arrangement;

#### *Termination of the USA*

- the USA shall be terminated;

#### *Assumption of Debentures by New NAL*

- New NAL shall assume all of the covenants and obligations of the Trust for the Debentures in accordance with the terms of the Note Indenture, in exchange for the number of Trust Units agreed to by New NAL and the Trust, such that the Debentures shall become valid and binding obligations of New NAL and the Note Indenture shall be amended to the extent necessary to facilitate such assumption;

#### *Exchange of Trust Units for Common Shares*

- each outstanding Trust Unit held by Unitholders (other than New NAL) shall, without any further action by or on behalf of such Unitholders, be transferred to New NAL (free and clear of any Encumbrances) in exchange for one (1) fully paid and non-assessable Common Share;
- the Common Shares issued to the Trust in connection with the incorporation and organization of New NAL shall be purchased for cancellation by New NAL for consideration of \$1.00 per Common Share, and shall be cancelled;
- upon the issuance of Common Shares in exchange for Trust Units, there shall be added to the stated capital account maintained for the Common Shares an amount determined by the Board of Directors of New NAL in accordance with subsection 28(3) of the ABCA;

#### *Dissolution of Ventures Trust*

- all of the property of Ventures Trust shall be transferred to the Trust, the Trust shall assume all of the liabilities and obligations of Ventures Trust, all of the interests of the Trust as a beneficiary of Ventures Trust shall be cancelled and Ventures Trust shall be dissolved and shall thereafter cease to exist;

#### *Amalgamation of GPCo, NAL-ACE, ULC and NAL Energy*

- GPCo, NAL-ACE, ULC and NAL Energy shall be amalgamated to form AmalCo;

#### *Amendments relating to the Properties DSU Plan*

- the Articles of Incorporation of Properties and the terms of the Properties DSUs and Properties DSU Plan shall be amended to reflect the exchange of Trust Units for Common Shares; and

### *Transfer of Legacy Royalty*

- the Trust shall transfer to AmalCo all of its right, title and interest in the Legacy Royalty in consideration for the issuance by AmalCo to the Trust of a number of AmalCo Common Shares agreed to by AmalCo and the Trust.

On the Second Effective Date, each of the events set forth below shall occur and shall be deemed to occur in the following order without any further act or formality:

### *Dissolution of the Trust*

- all of the property of the Trust shall be transferred to New NAL, New NAL shall assume all of the liabilities and obligations of the Trust (including the DRIP and associated agreements and the liabilities and obligations of the Trust in respect of any declared but unpaid Distributions), all of the interests of New NAL as a beneficiary of the Trust shall be cancelled and the Trust shall be dissolved and shall thereafter cease to exist;
- upon dissolution of the Trust, the Amended DRIP shall become effective and all existing participants in the DRIP shall be deemed to be participants in the Amended DRIP without any further action on the part of such participants and the holders of Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid on the Common Shares from time to time; and

### *Transfer of AmalCo Assets to Addison LP*

- AmalCo shall transfer to Addison LP the AmalCo Assets in consideration for the assumption by Addison LP of the AmalCo Liabilities and the Additional Addison LP Partnership Interest.

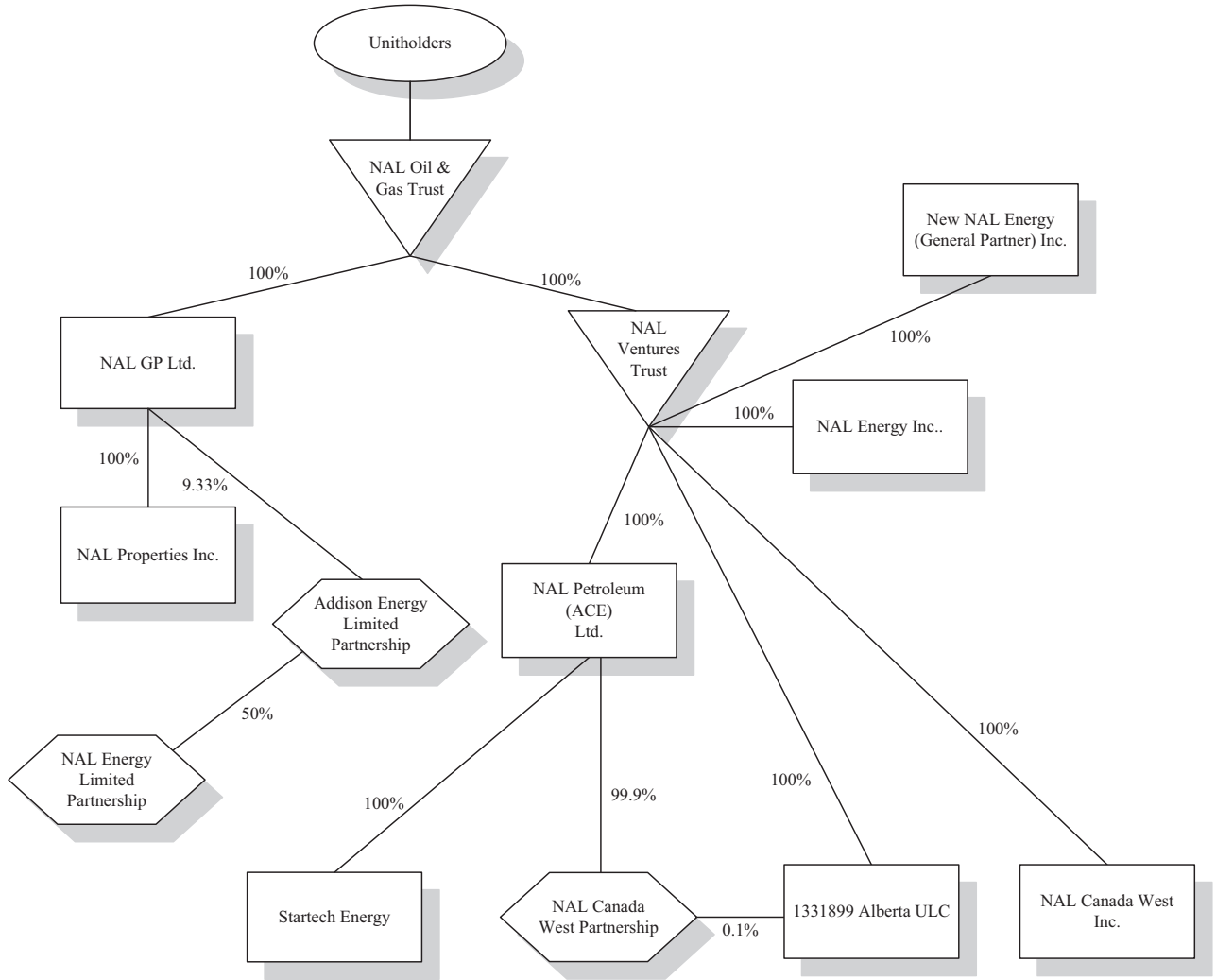
Pursuant to the Plan of Arrangement, the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL reserve the right to amend, modify and/or supplement the Plan of Arrangement at any time and from time to time at any time prior to the Initial Effective Date, provided that any such amendment, modification or supplement must be contained in a written document that is: (a) filed with the Court and, if made following the Meeting, approved by the Court; and (b) communicated to Unitholders in the manner required by the Court (if so required).

Any amendment, modification or supplement to the Plan of Arrangement may be proposed by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL at any time and from time to time prior to or at the Meeting with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of the Plan of Arrangement for all purposes.

Any amendment, modification or supplement to the Plan of Arrangement which is approved by the Court following the Meeting shall be effective only: (a) if it is consented to by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL; and (b) if required by the Court or applicable law, it is consented to by the Unitholders.

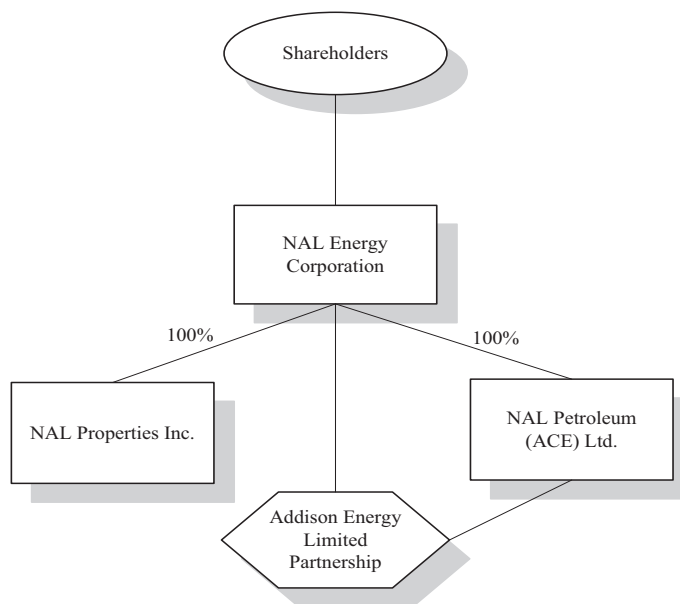
**Current Organizational Structure**

The following diagram sets forth the current organizational structure of the Trust.



### ***Post-Arrangement Structure***

Immediately following the Initial Effective Date, former Unitholders will hold all of the outstanding Common Shares of New NAL, which shall be named NAL Energy Corporation. The following diagram illustrates the organizational structure of New NAL immediately following the dissolution of the Trust on the Second Effective Date.



Assuming that the same number of Trust Units are outstanding on the Initial Effective Date as were outstanding on November 12, 2010, an aggregate of 146,837,847 Common Shares will be issued and outstanding following the Initial Effective Date.

### **Arrangement Agreement**

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL and various conditions precedent, both mutual and with respect to each other party.

**The following is a summary of the material terms of the Arrangement Agreement and is subject to, and qualified by, the full text of the Arrangement Agreement which is attached as Appendix "A" to this Circular and reference is made thereto for the full text thereof. Unitholders are urged to carefully read the Arrangement Agreement in its entirety.**

### ***Conditions Precedent to the Arrangement***

The respective obligations of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL to complete the transactions contemplated by the Arrangement Agreement are subject to the fulfillment or satisfaction, on or before the Initial Effective Date and/or the Second Effective Date, as applicable, of each of the following conditions, any of which may be waived collectively by the parties without prejudice to their right to rely on any other condition:

- (1) the Interim Order shall have been granted in form and substance satisfactory to the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, acting reasonably, not later than November 12, 2010 or such later date as the parties thereto may agree and shall not have been set aside, amended or modified in a manner unacceptable to such parties on appeal or otherwise;

- (2) the Arrangement Resolution shall have been approved at the Meeting by not less than 66<sup>2</sup>/<sub>3</sub>% of the votes cast in person or by proxy by the Unitholders who voted in respect of the Arrangement Resolution, in accordance with the provisions of the Interim Order, the Trust Indenture and any applicable regulatory requirements;
- (3) the Final Order shall have been granted in form and substance satisfactory to the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, acting reasonably, not later than December 31, 2010 or such later date as the parties may agree;
- (4) the Arrangement shall have become effective on or before December 31, 2010 or such later date as the parties may agree;
- (5) the Articles of Arrangement and all necessary related documents filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, acting reasonably, and shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(10) of the ABCA;
- (6) there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order, which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, and there shall not be in force any order or decree of any such entity that:
  - (a) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated in the Arrangement Agreement; or
  - (b) results in any judgment or assessment of material damages directly or indirectly relating to the transactions contemplated in the Arrangement Agreement;
- (7) all necessary material third party and regulatory consents, approvals and authorizations with respect to the transactions contemplated by the Arrangement Agreement shall have been completed or obtained including, without limitation, consent and approval from Ventures Trust's and Properties' principal lenders;
- (8) the New Administrative Services Agreement in form and substance satisfactory to NAL Energy and New NAL shall have been entered into between New NAL and the Manager, Resources and Manulife; and
- (9) the approval of the TSX to the conditional listing of: (i) the Common Shares issuable by New NAL pursuant to the Arrangement; (ii) the New NAL Debentures; (iii) the Common Shares issuable pursuant upon the conversion, redemption or maturity of the New NAL Debentures; (iv) the Common Shares to be reserved and authorized for issuance under the Amended DRIP; and (v) the Common Shares reserved and authorized for issuance under the New NAL DSU Plan shall have been obtained, subject only to the filing with the TSX of required documents.

In addition to the foregoing conditions, the obligation of each of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC to complete the transactions contemplated by the Arrangement Agreement is subject to the fulfillment or satisfaction, on or before the Initial Effective Date and/or the Second Effective Date, as applicable, of each of the following conditions, any of which may be waived by them without prejudice to their right to rely on any other condition:

- (1) each of the covenants, acts and undertakings of New NAL to be performed or complied with on or before the Initial Effective Date and the Second Effective Date, as applicable, pursuant to the terms of the Arrangement Agreement shall have been duly performed or complied with;

- (2) except as affected by the transactions contemplated by the Arrangement Agreement, the representations and warranties of New NAL contained in the Arrangement Agreement shall be true in all material respects on the Initial Effective Date and the Second Effective Date, as applicable, with the same effect as if made at and as of such dates; and
- (3) the Board of Directors shall not have determined in its sole and absolute discretion that to proceed with the Arrangement would not be in the best interests of the Unitholders.

The obligation of New NAL to complete the transactions contemplated by the Arrangement Agreement is also subject to the fulfillment or satisfaction, on or before the Initial Effective Date and/or the Second Effective Date, of the following conditions, any of which may be waived by New NAL without prejudice to its right to rely on any other condition:

- (1) each of the covenants, acts and undertakings of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC to be performed or complied with on or before the Initial Effective Date and the Second Effective Date, as applicable, pursuant to the terms of the Arrangement Agreement shall have been duly performed or complied with;
- (2) except as affected by the transactions contemplated by the Arrangement Agreement, the representations and warranties of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC contained in the Arrangement Agreement shall be true in all material respects on the Initial Effective Date and the Second Effective Date, as applicable, with the same effect as if made at and as of such dates;
- (3) the Board of Directors shall not have modified or amended, in any respect, its affirmative recommendation that the Unitholders vote in favour of the Arrangement Resolution; and
- (4) prior to the Initial Effective Date, there shall have been no material adverse change in the business, affairs, operations or financial condition of the Trust and its Subsidiaries (on a consolidated basis) from that reflected in this Circular.

Upon the conditions being fulfilled or waived, the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL intend to file a copy of the Final Order and the Articles of Arrangement with the Registrar under the ABCA, together with such other materials as may be required by the Registrar, in order to give effect to the Arrangement.

### ***Termination Events***

The Arrangement Agreement shall be terminated in each of the following circumstances:

- (1) if the Arrangement shall not have become effective on or before December 31, 2010 or such later date as may be agreed to in writing by the parties thereto;
- (2) by agreement to terminate if executed and delivered by all parties thereto; or
- (3) upon any other circumstances thereunder that give rise to a termination of the Arrangement Agreement by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, including the failure to satisfy the conditions set forth in the Arrangement Agreement.

## Approvals

### *Unitholder Approval*

#### Arrangement Resolution

Pursuant to the Interim Order, the Arrangement Resolution must be approved by a majority of not less than 66 $\frac{2}{3}$ % of the votes cast by Unitholders in person or represented by proxy at the Meeting. The form of proxy or voting instruction form allows Unitholders to vote "for" or "against" the Arrangement Resolution. **Unless otherwise directed by Unitholders appointing them proxyholder, the persons named in the enclosed form of proxy intend to vote the Trust Units represented thereby FOR the Arrangement Resolution.**

Notwithstanding the foregoing, the Arrangement Resolution proposed for consideration by the Unitholders authorizes and empowers any Director, without further notice to or approval of such Unitholders, subject to the terms of the Arrangement, to amend, modify, supplement or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement and, subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions and to revoke the Arrangement Resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement, notwithstanding that the Arrangement Resolution has been duly passed by the Unitholders or that the Arrangement has received the approval of the Court. The full text of the Arrangement Resolution is attached as Appendix "C" to this Circular.

#### Deferred Share Unit Plan Resolution

The number of votes required to pass the Deferred Share Unit Plan Resolution shall be a majority of not less than one half plus one of the votes cast by Unitholders in person or represented by proxy at the Meeting. **Unless otherwise directed by Unitholders appointing them proxy, the persons named in the enclosed form of proxy intend to vote the Trust Units represented thereby FOR the Deferred Share Unit Plan Resolution.** See "*Other Matters to be Considered at the Meeting – Deferred Share Unit Plan Resolution*".

### *Court Approvals*

#### Interim Order

On November 12, 2010, the Court granted the Interim Order facilitating the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Appendix "B" to this Circular.

#### Final Order

The ABCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and provided the Arrangement Resolution is first approved by Unitholders at the Meeting in the manner required by the Interim Order, the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL will make an application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for December 17, 2010 at 9:30 a.m. (Calgary time), or as soon thereafter as counsel may be heard. At the hearing, any Unitholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon the Trust a Notice of Appearance together with any evidence or materials which such party intends to present to the Court on or before noon (Calgary time) on December 10, 2010. **Service of such notice shall be effected by service upon the solicitors of the Trust: Bennett Jones LLP, 4500, 855 – 2nd Street S.W., Calgary, Alberta, T2P 4K7, Attention: Laurie A. Goldbach.**

The Common Shares to be issued to Unitholders pursuant to the Arrangement will not be registered under the U.S. Securities Act, in reliance upon the exemption from registration provided by subsection 3(a)(10) thereof. The Court will be advised prior to the hearing of the application for the Final Order that if the terms and conditions

of the Arrangement are approved by the Court, the Common Shares issued to Unitholders pursuant to the Arrangement will not require registration under the U.S. Securities Act.

The Trust has been advised by its counsel, Bennett Jones LLP, that the Court has broad discretion under the ABCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit. Depending upon the nature of any required amendments, the Trust may determine not to proceed with the Arrangement.

### ***Stock Exchange Listing Approvals***

The TSX has conditionally approved, among other things, the substitutional listing of (i) the Common Shares issuable by New NAL pursuant to the Arrangement in substitution for the issued and outstanding Trust Units, (ii) the New NAL Debentures, (iii) the Common Shares issuable upon the conversion, redemption or maturity of the New NAL Debentures, (iv) the Common Shares to be reserved and authorized for issuance under the Amended DRIP, and (v) the Common Shares to be reserved and authorized for issuance under the New NAL DSU Plan. The listing of the Common Shares and the New NAL Debentures on the TSX is subject to New NAL fulfilling all of the listing requirements of the TSX. The TSX listing requirements are expected to be met on or before the Second Effective Date or as soon as reasonably practicable thereafter.

Following completion of the Arrangement, the trading symbols for the Common Shares, the 6.25% Debentures and the 6.75% Debentures on the TSX are expected to be "NAE", "NAE.DB.A", and "NAE.DB" respectively.

### ***Other Regulatory Approvals***

In addition to the approval of Unitholders and the Court, it is a condition precedent to the implementation of the Arrangement that all requisite regulatory consents, approvals and authorizations be obtained.

### ***Third Party Approvals***

The Arrangement is also conditional upon the receipt of all necessary material third party consents, approvals and authorizations, including the consent and approval from Ventures Trust's and Properties' principal lenders.

### **Timing of Completion of the Arrangement**

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions to the Arrangement are satisfied or waived, the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL will apply for the Final Order approving the Arrangement on December 17, 2010. If the Final Order is obtained on December 17, 2010 in form and substance satisfactory to the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the Trust expects that the Initial Effective Date will occur on December 31, 2010 and the Second Effective Date will occur on January 1, 2011. The Effective Dates could be delayed, however, for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order on December 17, 2010.

The provisions of the Arrangement that are intended to become effective on each of the Effective Dates pursuant to the Plan of Arrangement will, respectively, become effective upon the filing with the Registrar, on such dates, of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

## **Procedure for Exchange of Securities**

### ***Trust Units***

Upon the Arrangement becoming effective, each registered Unitholder will be removed from the Trust's register and, until validly surrendered, the certificates formerly representing Trust Units held by any such Unitholder shall represent only the right to receive, upon such surrender, a DRS Advice evidencing the ownership of Common Shares which such former Unitholder is entitled to receive pursuant to the Arrangement and dividends accrued to such former Unitholder in respect of such Common Shares, if any.

The Trust has sent with this Circular to each registered Unitholder at the address of such holder as it appears on the register of Trust Units on the Record Date, a Letter of Transmittal and instructions for obtaining delivery of a DRS Advice evidencing the ownership of Common Shares which such former Unitholder is entitled to receive pursuant to the Arrangement. New NAL will, as soon as practicable following the later of the Initial Effective Date and the delivery to the Depository for cancellation of certificates representing such holder's Trust Units and the Letter of Transmittal, duly completed in accordance with the instructions contained therein, and such other documents as the Depository may reasonably require, cause the Depository to deliver to such holder a DRS Advice evidencing the number of Common Shares which such holder has the right to receive and the certificates so surrendered will forthwith be cancelled. A DRS Advice representing the Common Shares issued to such holder shall be registered in such name(s) and be delivered to such address as such holder may direct in such Letter of Transmittal, or if requested by the former Unitholder in the Letter of Transmittal, made available at the Depository for pick-up by the former Unitholder, as soon as practicable after receipt by the Depository of the required documents. Unitholders whose Trust Units are registered in the name of a broker, dealer, bank, trust company or other nominee must contact their nominee to arrange for the exchange of their Trust Units for Common Shares.

If Trust Units are transferred after the Record Date and prior to the Initial Effective Date, the transferee of such Trust Units may obtain a DRS Advice evidencing the number of Common Shares it is entitled to receive in exchange for its Trust Units pursuant to the Arrangement by duly completing the Letter of Transmittal in accordance with the instructions contained therein, and by delivering to the Depository such other documents as the Depository may reasonably require in order to effect such transfer.

Under the ABCA, a securityholder of a corporation is entitled, at its option, to obtain a security certificate representing the securities of that corporation held by the securityholder. Accordingly, if a registered Unitholder wishes to obtain a certificate in lieu of a DRS Advice representing the Common Shares to which it is entitled to receive pursuant to the Arrangement, the Unitholder should contact the Depository at one of the offices specified in the Letter of Transmittal with such a request. A Shareholder can also request a physical share certificate representing the Common Shares by completing the information accompanying the DRS Advice.

Unitholders are advised that use of the mail to transmit certificates representing their Trust Units and the Letter of Transmittal is at each holder's risk. The Trust recommends that such certificates and documents be delivered by hand to the Depository and a receipt therefor be obtained or that registered mail be used and that proper insurance be obtained.

All signatures on the Letter of Transmittal and on certificates representing Trust Units must be guaranteed by an Eligible Institution, unless otherwise provided.

A registered Unitholder who has lost or misplaced his, her or its Trust Unit certificate(s) should complete the Letter of Transmittal as fully as possible and forward it, together with an affidavit explaining the loss, to the Depository. The Depository will assist in making arrangements for the necessary documentation (which may include a bonding requirement) for a DRS Advice to be issued in accordance with the Arrangement.

Any certificate formerly representing Trust Units that is not deposited with all other documents as provided in the Plan of Arrangement on or before the last Business Day before the third anniversary of the Initial Effective Date shall, effective as of 5:00 pm. (Calgary time) on the last Business Day before the third anniversary of the Initial Effective Date: (a) cease to represent a right or claim of any kind or nature and the right of the former holder of such

Trust Units to receive certificates representing Common Shares and/or any cash payments, as the case may be; and (b) shall be deemed to be surrendered to New NAL together with all dividends thereon held for such holder.

### ***Debentures***

Debentureholders do not need to take any action. New NAL will assume all of the covenants and obligations of the Trust in respect of the outstanding Debentures. Provided the Arrangement is completed, Debentureholders will thereafter be entitled to receive Common Shares, rather than Trust Units, on the basis of one Common Share in lieu of each Trust Unit which they were previously entitled to receive on conversion, redemption or maturity of the Debentures. All other terms and conditions of the Debentures will continue to apply.

As all the Debentures trade in the "book entry" system and no certificates are issued to unregistered Debentureholders, no new certificates representing the New NAL Debentures will be issued to beneficial holders of Debentures following the completion of the Arrangement.

### ***Properties DSUs***

Holders of Properties DSUs do not need to take any action. Properties shall, as soon as practicable following the Initial Effective Date, forward or cause to be forwarded to each holder of Properties DSUs an agreement representing the Properties DSUs as amended by the Plan of Arrangement.

### ***DRIP***

Except as set forth below, holders of Trust Units issued pursuant to the DRIP do not need to take any action. Common Shares issuable pursuant to the Amended DRIP will be sent to the applicable participant by the plan agent in accordance with the instructions provided by the participant to the plan agent.

If a participant in the DRIP is a registered Unitholder, until such time as the participant deposits with the Depository a validly completed and executed Letter of Transmittal together with the certificates representing such Trust Units, all additional Common Shares purchased pursuant to the Amended DRIP will be delivered to the Depository and then held in trust for such participant. Accordingly, participants in the DRIP who are registered Unitholders are encouraged to deposit the certificates representing such Trust Units together with a validly completed and executed Letter of Transmittal in order to receive the DRS Advice representing the additional Common Shares acquired pursuant to the Amended DRIP.

Any certificate formerly representing Trust Units that is not deposited with all other documents as provided in the Plan of Arrangement on or before the last Business Day before the third anniversary of the Initial Effective Date shall, effective as of 5:00 pm. (Calgary time) on the last Business Day before the third anniversary of the Initial Effective Date: (a) cease to represent a right or claim of any kind or nature and the right of the former holder of such Trust Units to receive certificates representing Common Shares and/or any cash payments, as the case may be; and (b) shall be deemed to be surrendered to New NAL together with all dividends thereon and Common Shares issued pursuant to the Amended DRIP in respect thereof held for such holder.

### **Interests of Certain Persons or Companies in the Arrangement**

As of November 9, 2010, the Directors and executive officers of NAL Energy (also being the directors and executive officers of New NAL) and their associates, as a group, beneficially own, directly or indirectly, or exercise control and direction over, an aggregate of approximately 124,866 Trust Units, representing less than one percent of the issued and outstanding Trust Units. Pursuant to the Arrangement, each Trust Unit held on the Initial Effective Date shall be exchanged for one Common Share. It is expected that the Manager will be engaged under the terms of the New Administrative Services Agreement to manage the general and administrative affairs of New NAL and the direct and indirect Subsidiaries upon completion of the Arrangement. The Manager is a wholly-owned Subsidiary of Manulife. See "*The Arrangement – Administrative Services and Cost Sharing Agreement*". Manulife holds 1,592,357 Trust Units representing approximately 1.1% of all Trust Units issued and outstanding.

## **Expenses of the Arrangement**

The estimated costs to be incurred by the Trust and New NAL with respect to the Arrangement and related matters including, without limitation, accounting and legal fees, and the preparation, printing and mailing of this Circular and other related documents and agreements, are expected to aggregate approximately \$1.0 million.

## **Securities Law Matters**

**Unitholders are encouraged to obtain independent legal, tax, financial and investment advice in their jurisdiction of residence with respect to this Circular, the consequences of the Arrangement and the holding and disposing of Trust Units, Debentures, Common Shares and New NAL Debentures.**

### ***Canada***

The Common Shares to be issued pursuant to the Arrangement to the Unitholders will be issued in reliance on exemptions from the prospectus requirements of applicable Canadian securities laws and, following completion of the Arrangement, the Common Shares will generally be "freely tradeable" (other than as a result of any "control block" restrictions which may arise by virtue of the ownership thereof) under applicable Canadian securities laws of the provinces of Canada.

Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), the Arrangement is a "downstream transaction". In accordance with MI 61-101, if the transaction is a "business combination" or a "related party transaction" then a formal valuation and minority securityholder approval of the Arrangement in accordance with MI 61-101 would be required, unless an exemption is available to the Trust. Since the definition of "business combination" in MI 61-101 specifically excludes a "downstream transaction" and the provisions applying to "related party transactions" do not apply to "downstream transactions", the Trust is not required to obtain a formal valuation or minority approval of the Unitholders of the Arrangement pursuant to MI 61-101. In addition, no "collateral benefit" (as such term is defined in MI 61-101) is being received by any related party to the Trust in connection with the Arrangement.

### ***United States***

#### **Status under U.S. securities laws**

At the time of the Arrangement, each of the Trust and New NAL will be a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act. It is the Trust's intention that the Common Shares will be listed for trading on the TSX following completion of the Arrangement. The Trust does not currently intend to seek a listing for the Common Shares on a stock exchange in the United States.

#### **Exemption from the registration requirements of the U.S. Securities Act**

The Common Shares to be issued pursuant to the Arrangement to Unitholders will not be registered under the U.S. Securities Act. The Common Shares will be issued in reliance upon the exemption from registration provided by subsection 3(a)(10) of the U.S. Securities Act. Subsection 3(a)(10) exempts securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all Persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on November 12, 2010 and, subject to the approval of the Arrangement by Unitholders at the Meeting, an application for the Final Order will be made by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL to the Court on December 17, 2010. See "*The Arrangement – Approvals – Court Approvals*".

### Resales of Common Shares within the United States after the completion of the Arrangement

The Common Shares issuable to Unitholders pursuant to the Arrangement will be freely tradable in the United States under U.S. federal securities laws, except by Persons who will be "affiliates" of New NAL after the Arrangement is completed. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Persons who are affiliates of New NAL after the Arrangement is completed may not sell the Common Shares that they receive in connection with the Arrangement in the absence of registration under the U.S. Securities Act, unless an exemption from registration is available, such as the exemptions contained in Rule 144 or Rule 904 of Regulation S under the U.S. Securities Act.

- Affiliates – Rule 144. In general, under Rule 144, Persons who are affiliates of New NAL after the Arrangement is completed will be entitled to sell in the United States, during any three-month period, the Common Shares that they receive in connection with the Arrangement, provided that the number of such securities sold does not exceed the greater of one percent of the then outstanding securities of such class or, if such securities are listed on a United States securities exchange and/or reported through the automated quotation system of a U.S. registered securities association, the average weekly trading volume of such securities during the four calendar week period preceding the date of sale, subject to specified restrictions on manner of sale, requirements, aggregation rules and the availability of current public information about New NAL. Persons who are affiliates of New NAL after the Arrangement is completed will continue to be subject to the resale restrictions described in this paragraph for so long as they continue to be affiliates of New NAL.
- Affiliates – Regulation S. In general, under Regulation S, persons who are affiliates of New NAL solely by virtue of their status as an officer or director of New NAL may sell their Common Shares outside the United States in an "offshore transaction" if neither the seller, an affiliate nor any person acting on its behalf engages in "directed selling efforts" in the United States and provided that no selling commission, fee or other remuneration is paid in connection with such sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. For purposes of Regulation S "directed selling efforts" means "any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the securities being offered". Also, under Regulation S, an "offshore transaction" includes an offer that is not made to a person in the United States where either (a) at the time the buy order is originated, the buyer is outside the United States or the seller reasonably believes that the buyer is outside of the United States; or (b) the transaction is executed in, on or through the facilities of a designated offshore securities market (which would include a sale through the TSX, if applicable). Certain additional restrictions, set forth in Rule 903 of Regulation S, are applicable to sales outside the United States by a holder of Common Shares who is an affiliate of New NAL after the Arrangement is completed other than by virtue of his or her status as an officer or director of New NAL.

The foregoing discussion is only a general overview of certain requirements of U.S. securities laws applicable to the resale of Common Shares received pursuant to the Arrangement. **All holders of such securities are urged to consult with their own legal advisors to ensure that the resale of their securities complies with applicable securities legislation.**

### **Judicial Developments**

The Plan of Arrangement will be implemented pursuant to section 193 of the ABCA which provides that, where it is impractical for a corporation to effect an arrangement under any other provisions of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. Pursuant to this section of the ABCA, such an application will be made by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL for approval of the Arrangement. See "*The Arrangement – Approvals – Court Approvals – Final Order*". Although there have been a number of judicial decisions

considering this section and applications to various arrangements, there have not been, to the knowledge of the Trust, any recent significant decisions which would apply in this instance, with the exception of the recent decision of the Court *In the Matter of a Proposed Arrangement Involving Enbridge Income Fund Holdings Inc., Enbridge Management Services Inc., Enbridge Income Fund, the Holders of Units of Enbridge Income Fund, Enbridge Commercial Trust and Enbridge Inc.*, in which the Court confirmed, in interpreting the arrangement provisions of the ABCA, that courts could avail themselves of the flexibility of the arrangement provisions of the ABCA in the circumstances confronted by various stakeholders in income trusts as a result of changes to the SIFT Rules. The Court held that it had the jurisdiction to approve a plan of arrangement involving an income trust and grant an interim order because the transaction fell within the definition of an "arrangement" pursuant to section 193 of the ABCA. **Unitholders should consult their own legal advisors with respect to the legal rights available to them in relation to the Arrangement.**

### **Experts**

Certain legal matters relating to the Arrangement are to be passed upon by Bennett Jones LLP, Felesky Flynn LLP and Mayer Brown LLP, on behalf of each of the Trust, NAL Energy and New NAL. The partners and associates of Bennett Jones LLP, Felesky Flynn LLP and Mayer Brown LLP will hold less than one percent of the outstanding Common Shares upon completion of the Arrangement.

None of the aforementioned partners and associates, nor any employee of Bennett Jones LLP, Felesky Flynn LLP and Mayer Brown LLP, is or is expected to be elected, appointed or employed as a director, officer or employee of New NAL or of any associate or affiliate of New NAL, with the exception of John H. Kousiniotis who currently serves as the Corporate Secretary of NAL Energy and is expected to serve as the Corporate Secretary of New NAL upon the completion of the Arrangement.

KPMG LLP, the Trust's auditors and the proposed auditors of New NAL, are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Felesky Flynn LLP, Canadian tax counsel to the Trust and New NAL, the following is, as of the date hereof, a fair and adequate summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable in respect of the Arrangement to a Unitholder (and, subsequently, a Shareholder) who for purposes of the Tax Act and at all material times, holds Trust Units and will hold Common Shares as capital property and deals at arm's length with and is not affiliated with the Trust and New NAL.

Trust Units and Common Shares generally should be considered to be capital property to a holder unless such holder holds such Trust Units or Common Shares in the course of carrying on a business of buying and selling securities or such holder has acquired such Trust Units or Common Shares in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders or Shareholders who are resident in Canada and who might not otherwise be considered to hold their Trust Units or Common Shares as capital property may, in certain circumstances, be entitled to have them, and every other "Canadian security" within the meaning of the Tax Act, owned by the particular Unitholder or Shareholder in the taxation year of election and in all subsequent taxation years treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. **Unitholders or Shareholders contemplating making such an election should consult their own tax advisor.**

This summary is not applicable to a Unitholder or a Shareholder: (i) that is a "financial institution" for purposes of the mark-to-market rules in the Tax Act; (ii) that is a "specified financial institution" within the meaning of the Tax Act; (iii) an interest in which is a "tax shelter investment" for purposes of the Tax Act; (iv) to whom the "functional currency" reporting rules in section 261 of the Tax Act apply; or (v) who acquired their Trust Units on the exercise of employee Trust Unit options. All such Unitholders or Shareholders should consult their own tax advisor.

This summary is based upon the provisions of the Tax Act and regulations thereunder ("**Regulations**"), Canadian tax counsel's understanding, based on publicly available published materials, of the current administrative

policies and assessing practices of the Canada Revenue Agency in force as of the date hereof and specific proposals ("**Proposed Amendments**") to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister prior to the date hereof.

With the exception of the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, regulatory or judicial action or decision and does not take into account any provincial, territorial or foreign tax consequences which may differ significantly from those discussed herein.

**This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not intended to be, and should not be construed as, legal, business or tax advice, or representations to any particular Unitholder or Shareholder. Accordingly, Unitholders and Shareholders should consult with their own tax advisor for advice with respect to the tax consequences to them in their particular circumstances.**

### **Unitholders Resident in Canada**

This portion of the summary is generally applicable to a Unitholder or Shareholder that is, at all relevant times and for the purposes of the Tax Act and any applicable income tax treaty, resident or deemed to be resident in Canada.

### ***Exchange of Trust Units for Common Shares***

A Unitholder who disposes of a Trust Unit in exchange for a Common Share will be deemed to have disposed of each such Trust Unit for proceeds of disposition equal to the "adjusted cost base" (as defined in the Tax Act) of such Trust Unit to the Unitholder immediately before the exchange, and therefore such exchange generally should not result in a capital gain or capital loss to the Unitholder. The aggregate of the initial cost of the Common Shares received by a Unitholder in exchange for Trust Units should be equal to the aggregate adjusted cost base to such Unitholder of his Trust Units immediately before the exchange. The adjusted cost base of a Common Share at a particular time should be determined in accordance with certain rules in the Tax Act by averaging the cost to the Shareholder of the Common Share with the adjusted cost base of all other Common Shares held by the Shareholder at that time.

### ***Dividends on Common Shares***

A Shareholder is required to include in computing its income for a taxation year any taxable dividends received or deemed to be received on such Shareholder's Common Shares. In the case of a Shareholder that is an individual (other than certain trusts), such taxable dividends should be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations. Taxable dividends received from a taxable Canadian corporation which are designated by such corporation as "eligible dividends" in accordance with the Tax Act should be subject to an enhanced gross-up and dividend tax credit in accordance with the rules in the Tax Act. No assurance can be given that any dividends will be designated as "eligible dividends".

In the case of a Shareholder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year generally should be deductible in computing its taxable income for that taxation year. The Tax Act also imposes a 33 $\frac{1}{3}$ % refundable tax on dividends received by a corporation that is a "private corporation" or "subject corporation" for purposes of Part IV of the Tax Act to the extent that such dividends are deductible in computing the corporation's taxable income. This tax generally should be refunded to the corporation at a rate of \$1.00 for every \$3.00 of taxable dividends paid while it is a private corporation.

Taxable dividends received by a Shareholder that is an individual (other than certain trusts) may result in such Shareholder being liable for minimum tax under the Tax Act. Shareholders that are individuals should consult their own tax advisor in this regard.

### ***Dispositions of Common Shares***

A disposition or deemed disposition of a Common Share by a Shareholder generally will result in the Shareholder realizing a capital gain (or a capital loss) in the year of the disposition equal to the amount by which the proceeds of disposition of the Common Share are greater (or less) than the aggregate of the Shareholder's adjusted cost base thereof and any reasonable disposition costs.

### ***Taxation of Capital Gains and Capital Losses***

Generally, 50% of any capital gain (a "**taxable capital gain**") realized by a Unitholder or Shareholder in a taxation year must be included in the Unitholder's or Shareholder's income for the year, and 50% of any capital loss (an "**allowable capital loss**") realized by a Unitholder or Shareholder in a taxation year must be deducted from taxable capital gains realized by the Unitholder or Shareholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year may, generally, be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Unitholder or Shareholder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by the corporation on the Common Share (or shares for which the share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust. Unitholders or Shareholders to whom these rules may be relevant should consult their own tax advisor.

A Unitholder or Shareholder that is throughout a taxation year a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay, in addition to tax otherwise payable under the Tax Act, a refundable tax of 6% on certain investment income, including taxable capital gains.

Capital gains realized by a Unitholder or Shareholder that is an individual (other than certain trusts) may result in such Unitholder or Shareholder being liable for minimum tax under the Tax Act. Unitholders or Shareholders that are individuals should consult their own tax advisor in this regard.

### ***Eligibility for Investment***

Provided the Common Shares are listed for purposes of the Tax Act on a designated stock exchange (as defined in the Tax Act and which includes the TSX) or that New NAL is otherwise a public corporation (within the meaning of the Tax Act) at a particular time, and subject to the provisions of any particular registered plan or account, the Common Shares, at the particular time, will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a registered education savings plan, a deferred profit sharing plan or a tax-free savings account. However, the holder of a tax-free savings account that governs a trust which holds Common Shares will be subject to a penalty tax if the holder has a significant interest (within the meaning of the Tax Act) in New NAL or a corporation, partnership or trust with which New NAL does not deal at arm's length for the purposes of the Tax Act.

### ***Non-Resident Unitholders***

This portion of the summary applies to a Unitholder or Shareholder who, for purposes of the Tax Act and any relevant tax treaty, is not and is not deemed to be resident in Canada and who does not use or hold, and is not deemed to use or hold, Trust Units or Common Shares received pursuant to the Arrangement in carrying on a business in Canada and is not an insurer who carries on an insurance business or is deemed to carry on an insurance business in Canada and elsewhere (a "**Non-Resident Unitholder**" or "**Non-Resident Common Shareholder**", respectively).

**Unitholders or Shareholders that are resident, or are otherwise subject to tax, in jurisdictions other than Canada should consult their own tax advisor with respect to tax consequences of the Arrangement to them, including any associated filing requirements, in such jurisdictions.**

### ***Exchange of Trust Units for Common Shares***

A Non-Resident Unitholder who exchanges Trust Units for Common Shares generally should not be subject to Canadian federal income taxation unless the Trust Unit disposed of constituted "taxable Canadian property" within the meaning of the Tax Act to such Unitholder at the time of the disposition, and the Unitholder is not entitled to relief under an applicable tax treaty or convention between Canada and the county in which the Unitholder is resident, in which case the Non-Resident Unitholder should be subject to Canadian federal income taxation on the same basis described above under Unitholders Resident in Canada.

Based on representations from the Manager, Trust Units normally should not be taxable Canadian property at a particular time to a Non-Resident Unitholder provided that: (i) the Non-Resident Unitholder, persons with whom the Non-Resident Unitholder does not deal at arm's length (within the meaning of the Tax Act), or the Non-Resident Unitholder together with such persons did not own or have an interest in or option in respect of 25% or more of the issued Trust Units at any time during the 60-month period preceding the particular time; (ii) the Trust is a "mutual fund trust" (as defined in the Tax Act) at the particular time; and (iii) the Trust Units are not otherwise deemed to be "taxable Canadian property" (as defined in the Tax Act). In addition, where the Trust Units held by a Non-Resident Unitholder were, immediately before the exchange of the Trust Units for Common Shares, "taxable Canadian property" within the meaning of the Tax Act, the Common Shares received by the Non-Resident Unitholder in exchange for the Trust Units should be deemed to be "taxable Canadian property" for purposes of the Tax Act for 60 months following the disposition of the Trust Units.

Provided that the Trust qualifies as a mutual fund trust for purposes of the Tax Act, the Trust Units should be "excluded property" for purposes of, and therefore not subject to, the clearance certificate and withholding rules in section 116 of the Tax Act.

### ***Dispositions of Common Shares***

A Non-Resident Shareholder who disposes or is deemed to dispose of a Common Share should not be subject to Canadian federal income taxation unless the Common Share disposed of constituted "taxable Canadian property" within the meaning of the Tax Act to such Non-Resident Shareholder at the time of such disposition and such person is not entitled to relief under an applicable tax treaty or convention between Canada and the country in which the Non-Resident Shareholder is resident, in which case the Non-Resident Shareholder should be subject to Canadian federal income taxation on the same basis as described above under the heading "Unitholders Resident in Canada". Generally, based on representations from the Manager, Common Shares should not constitute taxable Canadian property of a Non-Resident Shareholder provided that: (i) the Common Shares are listed on a designated stock exchange (which currently includes the TSX) for the purposes of the Tax Act at the time of disposition; (ii) at no time during the 60-month period immediately preceding the disposition of the Common Shares, the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder does not deal at arm's length (within the meaning of the Tax Act), or the Non-Resident Shareholder together with such persons own or have an interest in or option in respect of 25% or more of the issued shares of any class or series of the capital of New NAL; and (iii) the Common Shares are not otherwise deemed under the Tax Act to be taxable Canadian property.

Provided that the Common Shares are listed for purposes of the Tax Act on a "recognized stock exchange" (as defined in the Tax Act, which includes the TSX), the Common Shares should be "excluded property" for purposes of, and therefore not subject to, the clearance certificate and withholding rules in section 116 of the Tax Act.

### ***Dividends on Common Shares***

Dividends on Common Shares paid or credited or deemed under the Tax Act to be paid or credited to a Non-Resident Shareholder generally should be subject to Canadian withholding tax at the rate of 25% unless such

rate is reduced by an applicable tax treaty or convention. For a Non-Resident Shareholder that is entitled to benefits under the Canada-U.S. Tax Convention and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends generally is reduced to 15%.

## **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATION**

The following is a limited discussion of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from the Arrangement and the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Arrangement and the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax considerations applicable to such U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Moreover, this summary is not binding on the IRS or the U.S. courts, and no assurance can be provided that the conclusions reached in this summary will not be challenged by the IRS or will be sustained by a U.S. court if so challenged. The Trust has not requested, and the Trust does not intend to request, a ruling from the IRS or an opinion from legal counsel regarding any of the U.S. federal income tax consequences of the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Arrangement and the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement.

**PURSUANT TO U.S. TREASURY DEPARTMENT CIRCULAR 230 YOU ARE HEREBY INFORMED THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT WRITTEN OR INTENDED TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER U.S. TAX LAW. SUCH DESCRIPTION WAS WRITTEN IN CONNECTION WITH THE PROMOTION AND/OR MARKETING OF THE TRANSACTIONS ADDRESSED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

**To ensure compliance with U.S. Treasury Department Circular 230, U.S. Holders are hereby notified that: (a) any discussion of U.S. federal tax issues in this Circular is not intended or written to be relied upon, and cannot be relied upon by a U.S. Holder, for the purpose of avoiding penalties that may be imposed under the Code; (b) this summary was written in connection with the promotion or marketing of the transactions or matters addressed in this Circular; and (c) each U.S. Holder should seek advice based on such U.S. Holder's particular circumstances from an independent tax advisor.**

### **Scope of this Disclosure**

#### *Authorities*

This summary is based on the Code, Treasury Regulations (final, temporary, and proposed), U.S. court decisions, published IRS rulings and published administrative positions of the IRS, and the Canada-U.S. Tax Convention, each as applicable and in effect and available as of the date of this Circular. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis and could affect the U.S. federal income tax considerations described in this summary.

#### *U.S. Holders*

For purposes of this summary, a "U.S. Holder" is a Unitholder participating in the Arrangement and receiving Common Shares that is: (a) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes; (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., or the District of Columbia; (c) an

estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income; or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

### ***Non-U.S. Holders***

For purposes of this summary, a "Non-U.S. Holder" is a Unitholder participating in the Arrangement that is not a U.S. Holder. This summary does not address the U.S. federal income tax considerations applicable to Non-U.S. Holders arising from the Arrangement and the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement. Accordingly, a Non-U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any tax treaties) of the Arrangement and the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement.

### ***Transactions Not Addressed***

This summary does not address the U.S. federal income tax consequences of transactions effected prior or subsequent to, or concurrently with, the Arrangement (whether or not any such transactions are undertaken in connection with the Arrangement), including, without limitation, the following:

- (a) any conversion into Trust Units of any Trust notes, debentures or other debt instruments;
- (b) any vesting, conversion, assumption, disposition, exercise, exchange or other transaction involving any rights to acquire Trust Units; and
- (c) any transaction, other than the Arrangement, in which Trust Units or Common Shares are acquired.

### ***U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed***

This summary does not address the U.S. federal income tax considerations to U.S. Holders that are subject to special provisions under the Code, including the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies or that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (c) U.S. Holders that have a "functional currency" other than the U.S. dollar; (d) U.S. Holders that own Trust Units (or, after the Arrangement, Common Shares) as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (e) U.S. Holders that acquired Trust Units (or, after the Arrangement, Common Shares) in connection with the exercise of employee stock options or otherwise as compensation for services; (f) U.S. Holders that hold Trust Units (or, after the Arrangement, Common Shares) other than as a capital asset within the meaning of section 1221 of the Code; (g) U.S. Holders who are U.S. expatriates or former long-term residents of the United States; and (h) U.S. Holders that own, or will own after the Initial Effective Date, directly, indirectly, or by attribution, 5% or more, by voting power or value, of the outstanding Trust Units (or, after the Arrangement, Common Shares). U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Arrangement and the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement.

If an entity or arrangement that is classified as partnership (or "pass-through" entity) for U.S. federal income tax purposes holds Trust Units, the U.S. federal income tax consequences to such partnership (or "pass-through" entity) and the partners of such partnership (or owners of such "pass-through" entity) of participating in the Arrangement generally will depend on the activities of the partnership (or "pass-through" entity) and the status of such partners (or owners). Partners of an entity or arrangement that is classified as a partnership (and owners of a "pass-through" entity) for U.S. federal income tax purposes should consult their own tax advisor regarding the U.S.

federal income tax consequences of the Arrangement and the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement.

### ***Other Tax Consequences Not Addressed***

This summary does not address the state, local, U.S. federal alternative minimum tax, estate and gift, or foreign tax consequences to U.S. Holders of the Arrangement and the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the state, local, U.S. federal alternative minimum tax, estate and gift, and foreign tax consequences of the Arrangement and the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement.

In addition, this summary does not address the tax consequences of the Arrangement to the Trust.

## **Certain U.S. Federal Income Tax Consequences of the Arrangement**

### ***Characterization of the Arrangement***

There is no legal authority directly addressing the U.S. federal income tax treatment of a transaction such as the U.S. Holder Exchange. Although the matter is not free from doubt, the U.S. Holder Exchange should qualify in general as part of a tax-deferred Reorganization. However, qualification of the U.S. Holder Exchange as part of a Reorganization is not clear and will depend upon the occurrence of events subsequent to the date of this Circular. These events cannot be predicted with accuracy. The tax consequences of the U.S. Holder Exchange qualifying as part of a Reorganization or as a taxable transaction are discussed below. U.S. Holders should consult their own U.S. tax advisor regarding the proper tax reporting of the U.S. Holder Exchange.

### ***Tax Consequences of the U.S. Holder Exchange Qualifies as Part of a Reorganization***

If the U.S. Holder Exchange qualifies as part of a Reorganization, then the following U.S. federal income tax consequences will result for U.S. Holders:

- (a) no gain or loss will be recognized by a U.S. Holder in the U.S. Holder Exchange;
- (b) the tax basis of a U.S. Holder in the Common Shares acquired in the U.S. Holder Exchange will be equal to such U.S. Holder's tax basis in the Trust Units exchanged;
- (c) the holding period of a U.S. Holder for the Common Shares acquired in the U.S. Holder Exchange will include such U.S. Holder's holding period for the Trust Units; and
- (d) U.S. Holders who exchange Trust Units for Common Shares pursuant to the Arrangement generally will be required to report certain information to the IRS on their U.S. federal income tax returns for the tax year in which the Arrangement occurs, and to retain certain records related to the U.S. Holder Exchange.

The IRS could challenge a U.S. Holder's treatment of the U.S. Holder Exchange as part of a Reorganization. If this treatment were successfully challenged, then the U.S. Holder Exchange would be treated as a taxable transaction to U.S. Holders with the consequences discussed immediately below (including the recognition of any realized gain).

### ***Treatment of the U.S. Holder Exchange as a Taxable Transaction***

If the U.S. Holder Exchange does not qualify as part of a Reorganization for U.S. federal income tax purposes, then the following U.S. federal income tax consequences will result for U.S. Holders:

- (a) a U.S. Holder will recognize gain or loss in an amount equal to the difference, if any, between (i) the fair market value (expressed in U.S. dollars) of the Common Shares received in the U.S. Holder Exchange and (ii) the adjusted tax basis (expressed in U.S. dollars) of such U.S. Holder in the Trust Units exchanged;
- (b) the tax basis of a U.S. Holder in the Common Shares received in the U.S. Holder Exchange would be equal to the fair market value of such Common Shares on the date of receipt; and
- (c) the holding period of a U.S. Holder for the Common Shares received in the U.S. Holder Exchange will begin on the day after the date of receipt.

Any gain or loss described in clause (a) immediately above generally would be capital gain or loss, which will be long-term capital gain or loss if such Trust Units have been held for more than one year at the time of the U.S. Holder Exchange. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to complex limitations under the Code.

### ***Passive Foreign Investment Company Rules***

The foregoing discussion assumes that the Trust was not a passive foreign investment company under section 1297 of the Code (a "PFIC") for any tax year during which a U.S. Holder held Trust Units. A U.S. Holder of Trust Units who acquires Common Shares pursuant to the Arrangement, as discussed above, would be subject to special adverse tax rules as a result of the Arrangement if the Trust were classified as a PFIC. A non-U.S. corporation is classified as a PFIC for each tax year in which (i) 75% or more of its income is passive income (as defined for U.S. federal income tax purposes) or (ii) on average for such tax year, 50% or more (by value) of its assets either produce or are held for the production of passive income. In determining whether or not it is classified as a PFIC, a non-U.S. corporation is required to take into account its pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest.

Although the matter is not free from doubt, the Trust believes that it has never been a PFIC and, based on current business plans and financial projections, that it will not become a PFIC prior to the Arrangement. Determining PFIC classification is fundamentally factual in nature, however, and such determination generally cannot be made until the close of the tax year in question. Consequently, there is no assurance that the Trust has never been and will not become a PFIC for any tax year during which a U.S. Holder held or holds Trust Units. Moreover, neither an opinion from counsel nor a ruling from the IRS will be requested or received regarding whether the Trust is or will become a PFIC. If the Trust is classified as a PFIC for any tax year during which a U.S. Holder held or holds Trust Units (and certain elections have not been effectively made by the U.S. Holder), the U.S. Holder Exchange may be treated as a taxable event to the U.S. Holder even if the Arrangement otherwise would qualify as a Reorganization. If the PFIC rules cause gain to be recognized on account of the Arrangement, the gain would be subject to the ordinary income treatment and interest charge regime imposed under the PFIC rules.

### **Ownership of Common Shares**

#### ***Distributions With Respect to Common Shares***

Subject to the PFIC rules, a U.S. Holder that receives a distribution (including a constructive distribution, but excluding certain pro rata distributions of stock described in section 305 of the Code) with respect to the Common Shares will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of New NAL, as determined under U.S. federal income tax rules. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of New NAL, such distribution will be treated (a) first, as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares, and (b) thereafter, as a gain from the sale or exchange of such Common Shares (see more detailed discussion below under the heading "*Disposition of Common Shares*"). However, New NAL may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder therefore may have to assume that any distribution by New NAL with respect to Common Shares will constitute ordinary dividend

income. Dividends paid on the Common Shares generally will not be eligible for the "dividends received deduction" generally available to U.S. corporate shareholders receiving dividends from U.S. corporations.

For tax years beginning before January 1, 2011, a dividend paid by New NAL generally will be taxed at the preferential tax rates applicable to long-term capital gains if (a) New NAL is a qualified foreign corporation under subsection 1(h)(11) of the Code (a "QFC"), (b) the U.S. Holder receiving such dividend is an individual, estate, or trust, and (c) certain holding period requirements are met. New NAL generally will be a QFC if (a) New NAL is eligible for the benefits of the Canada-U.S. Tax Convention, or (b) the Common Shares are readily tradable on an established securities market in the U.S. However, even if New NAL satisfies one or more of such requirements, New NAL will not be treated as a QFC if New NAL is a PFIC for the tax year during which New NAL pays a dividend or for the preceding tax year. See more detailed discussion below under the heading "*Passive Foreign Investment Company Status of New NAL*".

If New NAL is not a PFIC, but a U.S. Holder otherwise fails to qualify for the preferential tax rate discussed in the preceding paragraphs, a dividend paid by New NAL to a U.S. Holder generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the dividend rules.

### ***Dispositions of Common Shares***

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of Common Shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the Common Shares sold or otherwise disposed of. Subject to the PFIC rules, any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Common Shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

### ***Passive Foreign Investment Company Status of New NAL***

If New NAL is or becomes a PFIC, the preceding sections of this summary may not describe the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership and disposition of Common Shares received pursuant to the Arrangement. Special, and generally unfavourable, rules are applicable to U.S. Holders owning shares in a PFIC. Although the matter is not free from doubt, based on current business plans, current operations and financial projections, the Trust does not expect New NAL to be classified as a PFIC for its taxable year which includes the Arrangement or in the foreseeable future. However, the determination of whether or not New NAL is a PFIC is made on an annual basis and is based on the types of income New NAL earns and the types and value of the New NAL's assets from time to time, all of which are subject to change. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Furthermore, whether New NAL will be a PFIC for the current taxable year and each subsequent taxable year depends on its assets and income over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Circular. Accordingly, there can be no assurance that the IRS will not challenge the determination made by New NAL concerning its PFIC status or that New NAL will not be, a PFIC for any taxable year.

### **Other Considerations**

#### ***Foreign Tax Credit***

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement or in connection with the ownership or disposition of Common Shares may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a

deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source". Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the Common Shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

### ***Receipt of Foreign Currency***

The amount of any distribution or proceeds paid in Canadian dollars to a U.S. Holder in connection with the ownership of Common Shares, or on the sale, exchange or other taxable disposition of Common Shares, generally will be included in the gross income of a U.S. Holder as translated into U.S. dollars calculated by reference to the exchange rate prevailing on the date of actual or constructive receipt of the dividend, regardless of whether the Canadian dollars are converted into U.S. dollars at that time. If the Canadian dollars received are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in Canadian dollars and engages in a subsequent conversion or other disposition of the Canadian dollars may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

### ***Information Reporting; Backup Withholding***

Payments of cash or property made to U.S. Holders relating to dividends on, or proceeds arising from the sale or other taxable disposition of Common Shares, generally will be subject to U.S. federal information reporting and may be subject to backup withholding tax, currently at the rate of 28% (but scheduled to increase to 31% after 2010), if a U.S. Holder: (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9); or (b) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional U.S. federal income tax. Any amounts withheld under the U.S. backup withholding rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded to the extent it exceeds such liability, if such U.S. Holder timely furnishes required information to the IRS. A U.S. Holder that does not provide a correct U.S. taxpayer identification number may be subject to penalties imposed by the IRS. Each U.S. Holder should consult its own U.S. tax advisor regarding the information reporting and backup withholding rules.

## **INFORMATION CONCERNING THE TRUST**

### **NAL Oil & Gas Trust**

The Trust is an unincorporated open-end investment trust formed under the laws of the Province of Alberta pursuant to the Trust Indenture. The Trust was created to acquire the Legacy Royalty from NAL Energy and to

issue Trust Units to the public. The Trust receives distributions, directly or indirectly, from NAL Energy, GPCo, Ventures Trust, Addison LP, NAL Energy GP, NAL Energy LP, NAL Partnership, NAL-ACE and ULC. The beneficiaries of the Trust are the Unitholders. The head and principal office of the Trust is 1000, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2.

### **NAL Energy Inc.**

NAL Energy was incorporated under the ABCA for the purposes of acquiring oil and natural gas properties, granting the Legacy Royalty to the Trust, organizing the Trust, causing the Trust to issue and sell Trust Units and making certain decisions for and on behalf of the Trust in accordance with the terms of the Trust Indenture. The head and registered office of NAL Energy is 1000, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2.

### **NAL Resources Management Limited**

The Manager was incorporated under the CBCA to manage oil and natural gas investments for major Canadian financial institutions. The Manager is engaged under the Administrative Services Agreement to manage the general and administrative affairs of the NAL Group, to advise the NAL Group with respect to the acquisition, development and disposition of oil and natural gas properties and to manage the oil and natural gas properties of the NAL Group. The Manager is a wholly owned Subsidiary of Manulife. The head and registered office of the Manager is 1000, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2.

### **Documents Incorporated by Reference**

**Information in respect of the Trust is incorporated by reference in this Circular from documents filed with securities commissions or similar regulatory authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from NAL Energy at 1000, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2, telephone (403) 294-3600, and are also available electronically at [www.sedar.com](http://www.sedar.com).

The following documents of the Trust have been filed with the securities commission or similar regulatory authority in each of the provinces of Canada and are specifically incorporated by reference into and form an integral part of this Circular:

- (1) the information circular of the Trust dated April 16, 2010 relating to the annual meeting of Unitholders held on May 19, 2010;
- (2) the information circular of the Trust dated April 14, 2009 relating to the annual and special meeting of Unitholders held on May 20, 2009;
- (3) the Annual Information Form;
- (4) the audited consolidated financial statements of the Trust as at and for the years ended December 31, 2009 and 2008, together with the notes thereto and the auditors' report thereon;
- (5) the MD&A;
- (6) the unaudited interim consolidated financial statements of the Trust as at September 30, 2010 and for the three and nine month periods ended September 30, 2010 and 2009, together with the notes thereto;
- (7) the management's discussion and analysis of the Trust for the three and nine month periods ended September 30, 2010;
- (8) the material change report of the Trust dated October 26, 2010; and

- (9) the business acquisition report of the Trust dated January 21, 2010 relating to the acquisition by the Trust of Breaker.

Any documents of the type described in section 11.1(1) of Form 44-101F1 – *Short Form Prospectus*, if filed by the Trust with the securities commission or similar regulatory authority in each of the provinces of Canada subsequent to the date of this Circular and prior to the Initial Effective Date, shall be deemed to be incorporated by reference in this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Circular, to the extent that a statement contained in this Circular or any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Circular.

#### Price Range and Trading Volume of Trust Units and Debentures

The Trust Units, 6.25% Debentures and 6.75% Debentures are listed and posted for trading on the TSX under the symbols "NAE.UN", "NAE.DB.A" and "NAE.DB", respectively.

#### *Trust Units*

The following table sets forth the high and low sale prices and the trading volumes for the Trust Units on a monthly basis as reported by the TSX for the 12-month period preceding the date of this Circular:

	Price Range		Volume (Trust Units)
	High (\$)	Low (\$)	
<b>2009</b>			
November	12.90	10.75	9,628,597
December	14.00	11.91	9,437,384
<b>2010</b>			
January	14.95	12.75	14,554,538
February	13.44	12.50	9,712,464
March	13.94	12.67	12,849,375
April	13.57	12.35	12,496,683
May	12.80	9.68	15,611,632
June	11.49	10.51	9,800,231
July	11.40	10.32	8,628,917
August	11.33	9.80	10,551,430
September	11.63	10.62	12,492,505
October	12.95	11.57	12,763,522
November (1 to 12)	12.94	12.23	5,303,677

### 6.25% Debentures

The following table sets forth the high and low sale prices and the trading volumes (based on value traded) for the 6.25% Debentures on a monthly basis as reported by the TSX since the 6.25% Debentures commenced trading on the TSX on December 3, 2009.

	Price Range		Volume (\$)
	High (\$)	Low (\$)	
<b>2009</b>			
December (3 to 31)	105.25	100.00	18,999,000
<b>2010</b>			
January	105.75	104.00	2,135,500
February	106.00	104.00	2,106,000
March	105.50	103.50	2,685,000
April	105.00	100.55	3,938,000
May	104.25	100.75	2,817,000
June	103.75	102.15	738,000
July	105.00	103.00	4,436,000
August	104.75	103.10	3,651,000
September	106.45	103.25	2,058,000
October	106.00	104.25	1,015,000
November (1 to 12)	105.50	104.90	217,000

### 6.75% Debentures

The following table sets forth the high and low sale prices and the trading volumes (based on value traded) for the 6.75% Debentures on a monthly basis as reported by the TSX for the 12-month period preceding the date of this Circular:

	Price Range		Volume (\$)
	High (\$)	Low (\$)	
<b>2009</b>			
November	106.00	104.50	1,072,500
December	107.25	101.50	678,000
<b>2010</b>			
January	107.00	103.50	1,020,000
February	107.50	106.00	474,000
March	107.50	104.50	645,000
April	106.50	104.75	862,000
May	105.50	102.70	743,000
June	105.00	102.80	768,000
July	105.50	104.00	1,187,000
August	105.80	103.60	767,000
September	106.00	103.85	551,000
October	107.00	104.30	406,000
November (1 to 12)	107.50	104.00	483,000

## Distributions by the Trust

### General

The Trust currently makes distributions on a monthly basis to Unitholders of record on or about the 22nd day of the applicable month, provided that if the 22nd day is not a Business Day, then the record date for such distribution payment will be the immediately following Business Day. Payments are made on the 15th day of the month immediately following, provided that if the 15th day is not a Business Day, then such payment is made on the immediately following Business Day.

### Distributions Declared and Paid

The Trust has declared and paid, or expects to pay, as applicable, the following cash distributions to the Unitholders during the 12-month period preceding the date of this Circular:

<u>For the Month Ended</u>	<u>Distribution per Trust Unit (\$)</u>	<u>Payment Date</u>
November 30, 2009	0.09	December 15, 2009
December 31, 2009	0.09	January 15, 2010
January 31, 2010	0.09	February 15, 2010
February 28, 2010	0.09	March 15, 2010
March 31, 2010	0.09	April 15, 2010
April 30, 2010	0.09	May 17, 2010
May 31, 2010	0.09	June 15, 2010
June 30, 2010	0.09	July 15, 2010
July 31, 2010	0.09	August 16, 2010
August 31, 2010	0.09	September 15, 2010
September 30, 2010	0.09	October 15, 2010
October 31, 2010	0.09	November 15, 2010

### Restrictions on Distributions

The ability of the Trust to make cash distributions to Unitholders may be directly affected in certain events and as a result of certain restrictions. See "*Distributions to Unitholders*" in the MD&A, which is incorporated by reference in this Circular.

### Prior Sales

The following table summarizes the Trust Units and securities convertible into Trust Units that the Trust has issued during the 12-month period preceding the date of this Circular:

<u>Date of Issue</u>	<u>Securities</u>	<u>Price per Security (\$)</u>	<u>Number of Securities</u>
November 16, 2009	Trust Units <sup>(1)</sup>	11.2814	119,500
December 3, 2009	6.25% Debentures <sup>(2)</sup>	1,000	115,000
December 11, 2009	Trust Units <sup>(3)</sup>	12.4500	24,777,098
December 15, 2009	Trust Units <sup>(1)</sup>	11.8843	118,548
January 15, 2010	Trust Units <sup>(1)</sup>	13.1758	93,098
February 15, 2010	Trust Units <sup>(1)</sup>	12.3479	161,219
March 15, 2010	Trust Units <sup>(1)</sup>	12.6433	155,105
April 14, 2010	Trust Units <sup>(4)</sup>	13.2500	7,550,000
April 15, 2010	Trust Units <sup>(1)</sup>	12.3796	168,693
May 17, 2010	Trust Units <sup>(1)</sup>	11.5768	178,840
June 15, 2010	Trust Units <sup>(1)</sup>	10.5896	190,035
July 15, 2010	Trust Units <sup>(1)</sup>	10.2874	215,909
August 16, 2010	Trust Units <sup>(1)</sup>	10.4639	214,882

September 15, 2010	Trust Units <sup>(1)</sup>	10.1276	221,612
October 15, 2010	Trust Units <sup>(1)</sup>	11.2315	217,245

**Notes:**

- (1) Issued pursuant to the DRIP.
- (2) Issued pursuant to a public offering of the 6.25% Debentures.
- (3) Issued in connection with the Trust's acquisition of all of the issued and outstanding shares of Breaker.
- (4) Issued pursuant to a public offering of Trust Units.

**Legal Proceedings and Regulatory Actions**

Other than the proceedings relating to the approval of the Arrangement, there are no legal proceedings to which the Trust is a party or in respect of which any of its assets are the subject matter, which is material to the Trust and NAL Energy is not aware of any such proceedings that are contemplated.

**INFORMATION CONCERNING NAL ENERGY CORPORATION**

**Notice to Reader**

**Unless otherwise noted, the disclosure under the heading "*Information Concerning NAL Energy Corporation*" has been prepared assuming that the Arrangement has been completed. NAL Energy Corporation will be the publicly listed corporation resulting from the reorganization of the Trust's structure into a corporation pursuant to the Arrangement.**

**Corporate Structure**

New NAL was incorporated on November 1, 2010 pursuant to the provisions of the ABCA for the sole purpose of participating in the Arrangement. New NAL has not carried on any business or conducted operations since its incorporation other than the issuance of 100 Common Shares to the Trust and the entering into the Arrangement Agreement. The Trust is the sole shareholder of New NAL and owns 100 Common Shares which will be repurchased and cancelled pursuant to Arrangement. The registered office and principal place of business of New NAL is located at 1000, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2.

**Upon completion of the Arrangement, New NAL will become a reporting issuer in each of the provinces of Canada and be subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.**

Reference is made to Appendix "D" – "*Information Concerning NAL Energy Corporation*" for a more detailed description of New NAL.

**RISK FACTORS**

Risk factors related to the business of the Trust will continue to apply to New NAL after the Effective Dates and will not be affected by the Arrangement. If the Arrangement is completed, the business and operations of, and an investment in, New NAL will be subject to various risk factors set forth under the headings entitled "*Risk Factors*" in this Circular and "*Risk Factors*" in the Annual Information Form which is incorporated by reference in this Circular. Potential Shareholders should consider carefully the information contained herein and in the materials incorporated by reference.

**The following is a list of certain additional risk factors relating to the Arrangement, the activities of New NAL and the ownership of Common Shares following the Effective Dates which prospective investors should carefully consider before making an investment decision relating to the Common Shares.**

## **Risk Factors Relating to the Arrangement**

### ***Conditions Precedent and Required Regulatory and Third Party Approvals***

The completion of the Arrangement in the form contemplated by the Plan of Arrangement is subject to a number of conditions precedent, some of which are outside the control of the Trust including, without limitation, receipt of Unitholder approval at the Meeting, regulatory approvals (including approval of the TSX for the substitutional listing of the Common Shares and the New NAL Debentures) and approval from the Court. There can be no certainty, nor can the Trust provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied.

Failure to obtain the Final Order on terms acceptable to the Board of Directors may result in the decision being made not to proceed with the Arrangement. If any of the required regulatory approvals cannot be obtained on terms satisfactory to the Board of Directors or at all, the Plan of Arrangement may have to be amended in order to mitigate the negative consequence of the failure to obtain any such approval, and accordingly, the benefits available to Unitholders resulting from the Arrangement may be reduced. Alternatively, if the Plan of Arrangement cannot be amended so as to mitigate the negative consequences of the failure to obtain a required regulatory approval, the Arrangement may not proceed at all. If the Arrangement is not completed, the market price of the Trust Units may be adversely affected.

### ***Dilution of New NAL Shareholders***

New NAL will be authorized to issue an unlimited number of Common Shares for consideration and on terms and conditions as established by the Board of Directors without the approval of Shareholders. The Shareholders will have no pre-emptive rights in connection with such further issues.

### ***Failure to Realize the Anticipated Benefits from the Arrangement***

The Trust and New NAL are proposing to complete the Arrangement to create the opportunity to realize certain benefits including, among others, those set forth in this Circular under the heading "*The Arrangement – Anticipated Benefits of the Arrangement*". Achieving the anticipated benefits depends in part on the ability of the Trust and New NAL to realize the anticipated growth opportunities arising from the Arrangement. A variety of factors, including those set forth in or incorporated by reference in this Circular, may adversely affect the ability to achieve the anticipated benefits of the Arrangement.

### ***Tax-Related Risks***

Commencing in its fiscal year 2011, if the Arrangement is not effective by January 1, 2011, the Trust will become subject to tax under the SIFT Rules on its income at a rate comparable to the combined federal and provincial corporate tax rates, and distributions of such income to the Unitholders will be taxed as taxable dividends received from a taxable Canadian corporation.

## **Risk Factors Relating to the Activities of New NAL and the Ownership of Common Shares**

The following is a list of certain risk factors relating to the activities of New NAL and its Subsidiaries and the ownership of Common Shares following the Effective Dates:

- the uncertainty of future dividend payments by New NAL and the level and timing thereof, as New NAL's dividend policy and the funds available for the payment of dividends from time to time and the timing of the payment of any dividends will be dependent upon, among other things, operating cash flow generated by New NAL and its Subsidiaries, the execution of its growth strategy, financial requirements for New NAL's operations, limitations under the Credit Facility as well as the satisfaction of solvency tests imposed by the ABCA on corporations for the declaration and payment of dividends;

- the unavailability of external sources of capital, including debt financing and equity financing, could impair New NAL's ability to make the necessary capital investments to expand its asset base and operations;
- New NAL's activities will be subject to complex and stringent laws and regulations. Existing laws and regulations may be revised or new laws and regulations may become applicable to New NAL, and each may have a negative effect on New NAL's business and results of operations;
- New NAL will compete directly with other companies that may have greater resources and access to capital. Competition could adversely affect New NAL's performance;
- compliance with federal and provincial environmental legislation can require significant expenditures and a breach of such legislation may result in the suspension or revocation of necessary licenses and authorizations, civil liability for personal injury or environmental damage and the imposition of fines and penalties;
- the level of New NAL's consolidated indebtedness from time to time could impair New NAL's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise;
- New NAL may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of New NAL which may be dilutive;
- the inability of New NAL to manage growth effectively could have a material adverse impact on its business, operations and prospects; and
- the Board of Directors of New NAL may be engaged in business interests on their own behalf and on behalf of other companies and may face situations where they are in direct competition with New NAL and conflicts of interest may arise.

In addition, for a description of risk factors in respect of the structure of the Trust, see pages 44 to 50 of the Annual Information Form, which is incorporated herein by reference. **Unitholders should carefully consider all risk factors set forth herein and in the Annual Information Form.**

**Unitholders are encouraged to obtain independent legal, tax, financial and investment advice in their jurisdiction of residence with respect to this Circular, the consequences of the Arrangement and the holding and disposing of Trust Units, Debentures, Common Shares and New NAL Debentures.**

## **OTHER MATTERS TO BE CONSIDERED AT THE MEETING**

### **New NAL DSU Plan**

New NAL is proposing to establish the New NAL DSU Plan, which will permit non-employee Directors to defer receipt of all or a portion of their Director's fees until termination of service on the Board of Directors and to receive such deferred fees in the form of cash or Common Shares at that time. A copy of the New NAL DSU Plan is available upon request in writing to the Corporate Secretary of the Manager at 1000, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2.

The New NAL DSU Plan is designed to: (i) promote a greater alignment of interests between Directors of New NAL and the Shareholders; (ii) provide a compensation system for Directors that, together with the other Director compensation mechanisms of New NAL, is reflective of the responsibility, commitment and risk accompanying membership on the Board of Directors and the performance of the duties required of the various committees of the Board of Directors; (iii) assist New NAL to attract and retain individuals with experience and ability to act as Directors; and (iv) allow Directors of New NAL to participate in the long-term success of New

NAL. The New NAL DSU Plan will be administered by the Corporate Governance and Environment, Health and Safety Committee of New NAL under the direction of the Board of Directors.

### ***Grants of New NAL DSUs***

A New NAL DSU is a phantom unit granted to a Director that is accounted for on the books of New NAL, the value of which on any particular date is equal to the fair market value of a Common Share. A New NAL DSU gives the Director a right to settlement of that New NAL DSU (i.e., a right of redemption and payout) after the Director ceases to be a Director (and is not an employee) of New NAL or an affiliate.

Under the New NAL DSU Plan, a certain percentage, determined by resolution of the Board of Directors, of the annual retainer payable to Directors will automatically be satisfied in the form of New NAL DSUs. In addition, a Director may elect to receive 0%, 50% or 100% of his annual cash retainer (other than the portion automatically satisfied in New NAL DSUs) in the form of New NAL DSUs. The number of New NAL DSUs issued each quarter is calculated by dividing the electing Director's quarterly remuneration by the weighted average of the prices at which Common Shares traded on the TSX on the five trading days immediately following the date the Director's compensation is converted into New NAL DSUs (generally the last business day of each quarter). The New NAL DSU Plan provides that elections in relation to the operation of the New NAL DSU Plan by participants may not be made during a blackout period under the New NAL insider trading policy. In the event that an election would otherwise be required to be made within a blackout period, the deadline for the making of such election will be extended to the 10th business day following the expiry of the blackout period; provided that, if the blackout period continues to and includes December 31 of a calendar year, no election may be made in respect of the subsequent calendar year.

The New NAL DSUs will vest immediately upon grant and entitle the Director to receive a payment on a payout date specified by the Director (which date is no earlier than the date on which a Director ceases to be a Director) that is equal to an amount determined by multiplying the number of vested units by the weighted average trading price of the Common Shares on the TSX for the five day period immediately preceding the applicable payout date.

In addition to New NAL DSUs granted in respect of the automatic New NAL DSU retainers and the electable New NAL DSU retainers, the Corporate Governance and Environment, Health and Safety Committee or the Board of Directors may grant further "discretionary" New NAL DSUs to an eligible Director in such number as it considers appropriate, in respect of the services the Director renders to New NAL as a member of the Board of Directors.

Only non-employee Directors are eligible to receive New NAL DSUs under the New NAL DSU Plan. In the event that a non-employee Director becomes an employee of New NAL or an affiliate thereof, while remaining a Director, the eligibility of such Director to participate in the New NAL DSU Plan shall be suspended effective the date of commencement of such employment, and shall resume upon the termination of such employment provided that he or she continues to be a Director.

New NAL DSUs are non-transferable, and the rights of Directors under the New NAL DSU Plan are not assignable by Directors, however the New NAL DSU Plan provides that certain rights may pass to a Director's beneficiary or estate upon the death of the Director.

### ***Redemption of New NAL DSUs***

The New NAL DSU Plan provides that cash payments in respect of redeemed New NAL DSUs are to be equal to the number of New NAL DSUs recorded in the participant's New NAL DSU Account on the payment date multiplied by the weighted average trading price of the Common Shares on the TSX over the five trading days immediately preceding the payment date.

At any date prior to the date on which a Director ceases to be either a director or an employee of New NAL or any affiliate (the "**DSU Termination Date**"), a Director may elect up to two separate dates as of which either a portion (specified in whole percentages or number of New NAL DSUs on any one date) or all of the New NAL

DSUs credited to the New NAL DSU Account shall be redeemed. No redemption date elected by a Director may occur before the Director's DSU Termination Date, fall within a blackout period prescribed by New NAL's insider trading policy that the Director knows or reasonably expects will be in effect, or be later than December 15 of the first calendar year commencing immediately after the Director's DSU Termination Date. Where a Director does not elect a particular date or dates for the redemption of such Director's New NAL DSUs, there shall be a single redemption date for such Director which shall be the date which is six months after the Director's DSU Termination Date.

New NAL DSUs are to be redeemed as soon as practicable after the elected or deemed redemption date, but in any event no later than December 31 of the first calendar year following the calendar year in which the Director's DSU Termination Date occurs.

Instead of making a cash payment, New NAL may also, in its sole discretion, and so long as there is a public market for the Common Shares, elect to make the redemption payment in the form of Common Shares. Such Common Shares may be purchased on the open market by an independent broker, using the cash (after deduction of applicable withholding taxes) that would otherwise have been payable to the Director, or issued by New NAL from treasury at a subscription price per Common Share equal to the fair market value of the Common Shares.

In the event of a participating Director's death, any and all New NAL DSUs then credited to the Director's New NAL DSU Account shall be redeemed and shall become payable to the Director's designated beneficiary, or to such Director's estate if no beneficiary has been designated, and the Director's participation in the New NAL DSU Plan shall be terminated.

The aggregate number of Common Shares available for issuance from treasury to Directors under the New NAL DSU Plan is limited to a maximum of one percent of the issued and outstanding Common Shares. The aggregate number of Common Shares issuable to Directors under the New NAL DSU Plan, when combined with the Common Shares issuable to insiders of New NAL under all other compensation arrangements of New NAL that provide for the issuance of Common Shares from treasury, may not exceed 10% of the issued and outstanding Common Shares. The aggregate number of Common Shares issued to Directors under the New NAL DSU Plan, when combined with all Common Shares issued under all other compensation arrangements of New NAL that provide for the issuance of Common Shares from treasury, may not exceed 10% of the issued and outstanding Common Shares issued within a one year period.

### ***Adjustments***

Upon the payment date of a cash dividend on the Common Shares, the New NAL DSU Account of each Director shall be credited with additional New NAL DSUs in respect of New NAL DSUs credited to the Director's New NAL DSU Account as of the record date for payment of such dividend. The number of such additional New NAL DSUs to be credited to the Director's New NAL DSU Account will be calculated (to two decimal places) by dividing the total amount of the dividend that would have been paid to such Director if the New NAL DSUs in the Director's New NAL DSU Account (including fractions thereof), as of the dividend record date, were Common Shares, by the fair market value of the Common Shares on the dividend payment date.

New NAL DSUs may also be adjusted if there is a subdivision, consolidation, stock dividend, capital reorganization, reclassification, exchange, or other change with respect to the Common Shares; or a consolidation, amalgamation, arrangement or other form of business combination of New NAL with another person, or a sale, lease or exchange of all or substantially all of New NAL's property or other distribution of New NAL's assets to Shareholders, other than the payment of dividends in respect of the Common Shares. In such a case, the New NAL DSU Account of each Director and the New NAL DSUs outstanding under the New NAL DSU Plan shall be adjusted in such manner, if any, as New NAL may in its discretion deem appropriate to preserve, proportionally, the interests of Directors under the New NAL DSU Plan.

### ***Amendment and Termination***

Subject to the rules, regulations and policies of the TSX and any other stock exchange on which the Common Shares are listed or traded, the Board of Directors may amend or terminate the New NAL DSU Plan at any

time, without shareholder approval, provided that any amendment of the New NAL DSU Plan shall be such that the New NAL DSU Plan and any New NAL DSUs continuously meet the requirements of paragraph 6801(d) of the regulations to the Tax Act. Also, unless required by applicable law or the affected Directors' consent, no amendment may affect the rights of Directors with respect to New NAL DSUs to which the Directors are then entitled under the New NAL DSU Plan. If the New NAL DSU Plan is terminated, all New NAL DSUs already granted will continue to exist and be redeemed in accordance with the New NAL DSU Plan, until no further New NAL DSUs remain outstanding. However, no additional New NAL DSUs shall be granted after termination of the New NAL DSU Plan.

### ***Effective Date***

If approved at the meeting, the New NAL DSU Plan will come into effect immediately following the completion of the Arrangement. The New NAL DSU Plan will be reviewed periodically by the Corporate Governance and Environment, Health and Safety Committee and the Board of Directors to determine its ability to meet New NAL's business objectives.

### **Deferred Share Unit Plan Resolution**

The number of votes required to pass the Deferred Share Unit Plan Resolution shall be a majority of not less than one half plus one of the votes cast by Unitholders in person or by represented by proxy at the Meeting. **The Board of Directors recommends that you vote FOR the Deferred Share Unit Plan Resolution.**

The following is the text of the Deferred Share Unit Plan Resolution to be considered by the Unitholders at the Meeting:

"BE IT RESOLVED that:

1. The adoption by NAL Energy Corporation of the deferred share unit plan substantially as described in the information circular of NAL Oil & Gas Trust dated November 12, 2010, is hereby approved.
2. The Board of Directors may revoke this resolution before it is acted upon, without further approval of the Unitholders.
3. Any one or more directors or officers of New NAL, are hereby authorized to execute and deliver, whether under corporate seal or otherwise, the agreement referred to above and any other agreements, instruments, notices, consents, acknowledgements, certificates and other documents (including any documents required under applicable laws or regulatory policies), and to perform and do all such other acts and things, as any such director or officer in his discretion may consider to be necessary or advisable from time to time in order to give effect to this resolution."

Unitholder approval of the New NAL DSU Plan is required under the rules and policies of the TSX. To pass, the Deferred Share Unit Plan Resolution must be approved by a simple majority or more than 50% of the votes cast by the Unitholders who are present in person or represented by proxy at the Meeting.

**In the absence of contrary instructions, the persons named in the accompanying form of proxy intend to vote the Trust Units represented thereby FOR of the Deferred Share Unit Plan Resolution approving and adopting the New NAL DSU Plan.**

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the directors or executive officers of NAL Energy or the Manager, nor any associate or affiliate of any such persons, is or has been indebted to NAL Energy or the Trust since the beginning of the most recently completed financial year of the Trust.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Circular, including the documents incorporated by reference in this Circular, to the knowledge of the Directors and officers of NAL Energy, no "informed person" (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), or any associates or affiliates of such persons, has had any material interest, direct or indirect, in any transaction of the Trust since January 1, 2009 or in any proposed transaction which has materially affected or would materially affect the Trust or any of its Subsidiaries.

Computershare Trust Company of Canada acts as both Trustee and the transfer agent and registrar for the Trust Units, and as both Debenture Trustee and the transfer agent and registrar for the Debentures, and receives fees for its services in such capacities. In its capacity as Trustee, Computershare is paid a reasonable fee in connection with the administration and management of the Trust and is also reimbursed for all expenses properly incurred.

## AUDITORS, TRANSFER AGENT AND REGISTRAR

### Auditors

The auditors of the Trust are KPMG LLP, Chartered Accountants, Calgary, Alberta.

### Transfer Agent and Registrar

The transfer agent and registrar for the Trust Units and the Debentures is Computershare at its principal offices in Calgary, Alberta and Toronto, Ontario.

## ADDITIONAL INFORMATION

Additional information relating to the Trust is available at [www.sedar.com](http://www.sedar.com). Additional financial information is provided in the Trust's annual audited consolidated financial statements and notes and management's discussion and analysis for the fiscal year ended December 31, 2009 contained in the Trust's Annual Report for the year ended December 31, 2009. The Trust will provide to Unitholders upon request: (i) a copy of the Annual Information Form; (ii) a copy of the Trust's annual audited consolidated financial statements and the MD&A contained in the annual report for the year ended December 31, 2009 together with the report of the auditors thereon; (iii) a copy of the interim unaudited financial statements subsequent to such annual audited consolidated financial statements; and (iv) a copy of this Circular. These documents are available on the Trust's website at [www.nal.ca](http://www.nal.ca), on SEDAR at [www.sedar.com](http://www.sedar.com), and may be obtained without charge upon request to the Corporate Secretary of the Manager at 1000, 550 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 0S2, by telephone at (403) 294-3620 or by email at [investor.relations@nal.ca](mailto:investor.relations@nal.ca).

## AUDITORS' CONSENT

We have read the information circular of NAL Oil & Gas Trust (the "**Trust**") dated November 12, 2010 with respect to a proposed plan of arrangement involving the Trust, NAL Ventures Trust, Addison Energy Limited Partnership, NAL GP Ltd., NAL Energy Inc., NAL Properties Inc., NAL Petroleum (ACE) Ltd., 1331899 Alberta ULC, NAL Energy Corporation and the holders of trust units of the Trust. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned information circular of our report to the unitholders of the Trust on the consolidated balance sheets of the Trust as at December 31, 2009 and 2008 and the consolidated statements of income, comprehensive income and deficit and cash flows for the years then ended. Our report is dated March 10, 2010.

We also consent to the incorporation by reference in the above-mentioned information circular of our report to the shareholders of Breaker Energy Ltd. ("**Breaker**") on the consolidated balance sheets of Breaker as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive income and retained earnings and cash flows for the years then ended. Our report is dated March 16, 2009.

We also consent to the inclusion in the above-mentioned information circular of our report to the directors of NAL Energy Corporation on the balance sheet of NAL Energy Corporation as at November 12, 2010. Our report is dated November 12, 2010.

(Signed) "*KPMG LLP*"  
Chartered Accountants

Calgary, Canada  
November 12, 2010

## CONSENT OF FELESKY FLYNN LLP

We hereby consent to the reference to our opinion contained under the heading "*Certain Canadian Federal Income Tax Considerations*" in the Information Circular of NAL Oil & Gas Trust (the "**Trust**") dated November 12, 2010 (the "**Circular**") relating to the plan of arrangement involving the Trust, NAL Ventures Trust, Addison Energy Limited Partnership, NAL GP Ltd., NAL Energy Inc., NAL Properties Inc., NAL Petroleum (ACE) Ltd., 1331899 Alberta ULC, NAL Energy Corporation and the holders of trust units of the Trust and to the inclusion of the foregoing opinion in the Circular.

(Signed) "*Felesky Flynn LLP*"

Calgary, Canada  
November 12, 2010

**APPENDIX "A"**

**ARRANGEMENT AGREEMENT**

**THIS ARRANGEMENT AGREEMENT** is made the 10<sup>th</sup> day of November, 2010.

AMONG:

**NAL OIL & GAS TRUST**, an unincorporated open-ended investment trust formed under the laws of the Province of Alberta (the "**Trust**")

- and -

**NAL VENTURES TRUST**, an unincorporated trust formed under the laws of the Province of Alberta ("**Ventures Trust**")

- and -

**ADDISON ENERGY LIMITED PARTNERSHIP**, a limited partnership formed under the laws of the Province of Alberta ("**Addison LP**")

- and -

**NAL GP LTD.**, a corporation amalgamated under the laws of the Province of Alberta ("**GPCo**")

- and -

**NAL ENERGY INC.**, a corporation amalgamated under the laws of the Province of Alberta ("**NAL Energy**")

- and -

**NAL PROPERTIES INC.**, a corporation incorporated under the laws of the Province of Alberta ("**Properties**")

- and -

**NAL PETROLEUM (ACE) LTD.**, a corporation amalgamated under the laws of the Province of Alberta ("**NAL-ACE**")

- and -

**1331899 ALBERTA ULC**, an unlimited liability corporation incorporated under the laws of the Province of Alberta ("**ULC**")

- and -

**NAL ENERGY CORPORATION**, a corporation incorporated under the laws of the Province of Alberta ("**New NAL**")

WHEREAS the parties wish to propose an arrangement involving the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC, New NAL and the Unitholders (as defined herein) and the Debentureholders (as defined herein) in order to reorganize the affairs of the Trust and carry out certain transactions on the basis hereinafter set forth; and

WHEREAS the parties hereto intend to carryout the transactions contemplated herein pursuant to a statutory plan of arrangement under the ABCA (as defined herein);

NOW THEREFORE IN CONSIDERATION of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto covenant and agree as follows:

## **ARTICLE 1** **INTERPRETATION**

### **1.1 Definitions**

In this Agreement, the following terms have the following meanings:

- (a) "**6.25% Debentures**" means the \$115 million aggregate principal amount of 6.25% convertible unsecured subordinated debentures of the Trust due December 31, 2014;
- (b) "**6.75% Debentures**" means the \$100 million aggregate principal amount of 6.75% convertible extendible unsecured subordinated debentures of the Trust due August 31, 2012;
- (c) "**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (d) "**Addison LP**" means Addison Energy Limited Partnership, a limited partnership formed under the laws of the Province of Alberta;
- (e) "**Affiliate**" has the meaning ascribed to it in the Securities Act;
- (f) "**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;
- (g) "**Amended DRIP**" means the DRIP as amended and restated pursuant to the Plan of Arrangement;
- (h) "**Arrangement**" means the arrangement pursuant to Section 193 of the ABCA set forth in the Plan of Arrangement and includes any supplement, modification or amendment thereto made in accordance with Section 6.1 of this Agreement and Article 6 of the Plan of Arrangement;
- (i) "**Arrangement Resolution**" means the special resolution to approve the Arrangement to be presented to Unitholders at the Meeting;
- (j) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required by subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted in order to give effect to the Arrangement;
- (k) "**Business Day**" means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business;
- (l) "**Certificate**" means the certificate or proof of filing to be issued by the Registrar on the Initial Effective Date pursuant to subsection 193(11) or subsection 193(12) of the ABCA giving effect to the Arrangement;
- (m) "**Common Shares**" means the common shares in the capital of New NAL;

- (n) "**Court**" means the Court of Queen's Bench of Alberta;
- (o) "**Debentureholders**" means the holders of the Debentures at any time and from time to time;
- (p) "**Debentures**" means, collectively, the 6.25% Debentures and the 6.75% Debentures;
- (q) "**DRIP**" means the Premium Distribution™, Distribution Reinvestment and Optional Trust Unit Purchase Plan of the Trust;
- (r) "**Final Order**" means the final order of the Court approving the Arrangement pursuant to paragraph 193(9)(a) of the ABCA as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (s) "**GPCo**" means NAL GP Ltd., a corporation amalgamated under the ABCA;
- (t) "**Information Circular**" means the information circular to be prepared by NAL Energy on behalf of the Trust and forwarded to Unitholders as part of the proxy solicitation materials in respect of the Meeting;
- (u) "**Initial Effective Date**" means the date shown on the Certificate issued by the Registrar;
- (v) "**Initial Effective Time**" means 12:01 a.m. (Calgary Time) on the Initial Effective Date;
- (w) "**Interim Order**" means the interim order of the Court pursuant to subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (x) "**Meeting**" means the special meeting of Unitholders to be held to consider, among other things, the Arrangement, and any adjournments thereof;
- (y) "**NAL-ACE**" means NAL Petroleum (ACE) Ltd., a corporation amalgamated under the ABCA;
- (z) "**NAL Energy**" means NAL Energy Inc., a corporation amalgamated under the ABCA;
- (aa) "**New NAL**" means NAL Energy Corporation, a corporation incorporated under the ABCA;
- (bb) "**New NAL Debentures**" means the Debentures as assumed by New NAL pursuant to the Arrangement;
- (cc) "**New NAL DSU Plan**" means the Deferred Share Unit Plan proposed to be adopted by New NAL;
- (dd) "**Person**" means an individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority or other entity;
- (ee) "**Plan of Arrangement**" means the plan of arrangement attached hereto as Schedule One as amended, modified or supplemented from time to time;
- (ff) "**Properties**" means NAL Properties Inc., a corporation incorporated under the ABCA;
- (gg) "**Registrar**" means the Registrar of Corporations duly appointed under section 263 of the ABCA;
- (hh) "**Second Effective Date**" means the day immediately following the Initial Effective Date;
- (ii) "**Securities Act**" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;

- (jj) "**Special Voting Units**" means the special voting units of the Trust authorized pursuant to the Trust Indenture;
- (kk) "**Subsidiary**" has the meaning ascribed to it in the Securities Act;
- (ll) "**Trust**" means NAL Oil & Gas Trust, an open-ended investment trust formed under the laws of the Province of Alberta and governed by the Trust Indenture;
- (mm) "**Trust Fund**" means all of the property, assets and undertaking of the Trust of any nature or kind whatsoever, including the shares, units, notes or other interests in the capital of or granted by any Subsidiary of the Trust to the Trust, whether or not reflected on the books of the Trust;
- (nn) "**Trust Indenture**" means the Amended and Restated Trust Indenture dated effective May 31, 2006 between NAL Energy and the Trustee, as amended effective May 31, 2008;
- (oo) "**Trust Units**" means the trust units of the Trust authorized pursuant to the Trust Indenture;
- (pp) "**Trustee**" means Computershare Trust Company of Canada, in its capacity as trustee of the Trust;
- (qq) "**ULC**" means 1331899 Alberta ULC, an unlimited liability corporation incorporated under the ABCA;
- (rr) "**Unitholders**" means the holders of Trust Units at any time and from time to time;
- (ss) "**TSX**" means the Toronto Stock Exchange;
- (tt) "**Ventures Trust**" means NAL Ventures Trust, an unincorporated trust established pursuant to the laws of Alberta by the Ventures Trust Indenture; and
- (uu) "**Ventures Trust Indenture**" means the Declaration of Trust dated August 1, 2002 between NAL Ventures Inc. and NAL Resources Management Ltd., as amended by a First Amended and Restated Trust Indenture dated August 1, 2002 between NAL Ventures Inc. and NAL Resources Management Ltd.

## 1.2 General

- (a) The division of this Agreement into articles, sections, subsections, paragraphs and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (b) Unless reference is specifically made to some other document or instrument, all references herein to articles, sections, subsections, paragraphs and schedules are to articles, sections, subsections, paragraphs and schedules of this Agreement.
- (c) Unless the context otherwise requires, words importing the singular number shall include the plural and *vice versa*, and words importing any gender shall include all genders.
- (d) In the event that the date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place, with the exception of actions required to be taken on the Second Effective Date to which this subsection 1.2(d) shall have no application.
- (e) Unless otherwise stated, all sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

- (f) Schedule One hereto is incorporated into and forms an integral part of this Agreement.
- (g) This Agreement, together with Schedule One, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof. This Agreement is not intended to confer upon any other Person any rights or remedies hereunder.
- (h) This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable in the Province of Alberta and shall be treated in all respects as an Alberta contract.

## **ARTICLE 2**

### **THE ARRANGEMENT**

#### **2.1 Arrangement**

As soon as reasonably practicable, the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL shall apply to the Court pursuant to Section 193 of the ABCA for an order approving the Arrangement and in connection with such application shall:

- (a) forthwith file, proceed with and diligently prosecute an application for an Interim Order under Section 193 of the ABCA, providing for, among other things, the calling and holding of the Meeting for the purpose of considering and, if deemed advisable, approving the Arrangement Resolution;
- (b) subject to obtaining all necessary approvals of the Unitholders as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take the steps necessary to submit the Arrangement to the Court and apply for the Final Order; and
- (c) subject to the fulfillment of the conditions precedent set forth herein, deliver to the Registrar the Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order and at the times set out in the Plan of Arrangement without any further act or formality.

## **ARTICLE 3**

### **COVENANTS**

#### **3.1 Covenants of the Trust**

The Trust covenants and agrees with Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL that it will:

- (a) take, and cause its Subsidiaries to take, all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, for the Interim Order;

- (d) solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare, in consultation and cooperation with NAL Energy and New NAL, the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order, and applicable corporate and securities laws, and file and distribute the same to the Unitholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;
- (e) convene the Meeting as ordered by the Interim Order and conduct the Meeting in accordance with the Interim Order and as otherwise required by law;
- (f) until the Second Effective Date, conduct its operations and those of its Subsidiaries in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its assets and those of its Subsidiaries;
- (g) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Initial Effective Date;
- (h) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (i) upon issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- (j) carry out the terms of the Final Order to the extent applicable to it;
- (k) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person except a Subsidiary or, except in the normal and ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement;
- (l) until the Second Effective Date, except as specifically provided for hereunder and in the Plan of Arrangement, not alter or amend its constating or governing documents or those of its Subsidiaries as the same exist at the date of this Agreement without the prior consent of New NAL, not to be unreasonably withheld;
- (m) prior to the Initial Effective Date, make application to list:
  - (i) the Common Shares issuable by New NAL pursuant to the Arrangement;
  - (ii) the Debentures to be assumed by New NAL on the Initial Effective Date;
  - (iii) the Common Shares issuable upon conversion, redemption or maturity of the New NAL Debentures;
  - (iv) the Common Shares to be reserved and authorized for issuance under the Amended DRIP; and
  - (v) the Common Shares to be reserved and authorized for issuance under the New NAL DSU Plan,

on the TSX on a substitutional listing basis.

### 3.2 Covenants of Ventures Trust

Ventures Trust covenants and agrees with the Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL that it will:

- (a) take, and cause its Subsidiaries to take, all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with the Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, for the Interim Order;
- (d) until the Initial Effective Date, conduct its operations and those of its Subsidiaries in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its assets and those of its Subsidiaries;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Initial Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with the Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (g) upon issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- (h) carry out the terms of the Final Order to the extent applicable to it;
- (i) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person except a Subsidiary or, except in the normal and ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement; and
- (j) until the Initial Effective Date, except as specifically provided for hereunder and in the Plan of Arrangement, not alter or amend its constating or governing documents or those of its Subsidiaries as the same exist at the date of this Agreement without the prior consent of New NAL, not to be unreasonably withheld.

### 3.3 Covenants of Addison LP

Addison LP covenants and agrees with the Trust, Ventures Trust, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL that it will:

- (a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;

- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with the Trust, Ventures Trust, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, for the Interim Order;
- (d) until the Initial Effective Date, conduct its operations in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its assets;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Initial Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with the Trust, Ventures Trust, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (g) upon issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- (h) carry out the terms of the Final Order to the extent applicable to it;
- (i) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person except an Affiliate or, except in the normal and ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement; and
- (j) until the Initial Effective Date, except as specifically provided for hereunder and in the Plan of Arrangement, not alter or amend its constating or governing documents or those of its Subsidiaries as the same exist at the date of this Agreement without the prior consent of New NAL, not to be unreasonably withheld.

### 3.4 Covenants of GPCo

GPCo covenants and agrees with the Trust, Ventures Trust, Addison LP, NAL Energy, Properties, NAL-ACE, ULC and New NAL that it will:

- (a) take, and cause its Subsidiaries to take, all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with the Trust, Ventures Trust, Addison LP, NAL Energy, Properties, NAL-ACE, ULC and New NAL, for the Interim Order;
- (d) until the Initial Effective Date, conduct its operations and those of its Subsidiaries in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its assets and those of its Subsidiaries;

- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Initial Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with the Trust, Ventures Trust, Addison LP, NAL Energy, Properties, NAL-ACE, ULC and New NAL, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (g) upon issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- (h) carry out the terms of the Final Order to the extent applicable to it;
- (i) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person or, except in the normal and ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement; and
- (j) until the Initial Effective Date, except as specifically provided for hereunder and in the Plan of Arrangement, not alter or amend its constating or governing documents as the same exist at the date of this Agreement without the prior consent of New NAL, not to be unreasonably withheld.

### 3.5 Covenants of NAL Energy

NAL Energy covenants and agrees with the Trust, Ventures Trust, Addison LP, GPCo, Properties, NAL-ACE, ULC and New NAL that it will:

- (a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with the Trust, Ventures Trust, Addison LP, GPCo, Properties, NAL-ACE, ULC and New NAL, for the Interim Order;
- (d) solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare, in consultation and cooperation with the Trust and New NAL, the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in accordance with, the Interim Order, and applicable corporate and securities laws, and file and distribute the same to Unitholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;
- (e) until the Initial Effective Date, conduct its operations in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its assets;
- (f) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Initial Effective Date;
- (g) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with the Trust, Ventures Trust, Addison LP,

GPCo, Properties, NAL-ACE, ULC and New NAL, for the Final Order and diligently prosecute such application and any appeal of the Final Order;

- (h) upon issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- (i) carry out the terms of the Final Order to the extent applicable to it;
- (j) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person except a Subsidiary or, except in the normal and ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement; and
- (k) until the Initial Effective Date, except as specifically provided for hereunder and in the Plan of Arrangement, not alter or amend its constating or governing documents or those of its Subsidiaries as the same exist at the date of this Agreement without the prior consent of New NAL, not to be unreasonably withheld.

### 3.6 Covenants of Properties

Properties covenants and agrees with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, NAL-ACE, ULC and New NAL that it will:

- (a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, NAL-ACE, ULC and New NAL, for the Interim Order;
- (d) until the Initial Effective Date, conduct its operations in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its assets;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Initial Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, NAL-ACE, ULC and New NAL, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (g) upon issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- (h) carry out the terms of the Final Order to the extent applicable to it;
- (i) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person or, except in the normal and ordinary course of

business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement; and

- (j) until the Initial Effective Date, except as specifically provided for hereunder and in the Plan of Arrangement, not alter or amend its constating or governing documents as the same exist at the date of this Agreement without the prior consent of New NAL, not to be unreasonably withheld.

### 3.7 Covenants of NAL-ACE

NAL-ACE covenants and agrees with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, ULC and New NAL that it will:

- (a) take, and cause its Subsidiaries to take, all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, ULC and New NAL, for the Interim Order;
- (d) until the Initial Effective Date, conduct its operations and those of its Subsidiaries in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its assets and those of its Subsidiaries;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Initial Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, ULC and New NAL, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (g) upon issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- (h) carry out the terms of the Final Order to the extent applicable to it;
- (i) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person or, except in the normal and ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement; and
- (j) until the Initial Effective Date, except as specifically provided for hereunder and in the Plan of Arrangement, not alter or amend its constating or governing documents as the same exist at the date of this Agreement without the prior consent of New NAL, not to be unreasonably withheld.

### 3.8 Covenants of ULC

ULC covenants and agrees with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and New NAL that it will:

- (a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and New NAL, for the Interim Order;
- (d) until the Initial Effective Date, conduct its operations in the ordinary and normal course of business and in accordance with applicable laws, generally accepted industry practice and any operating and other agreements applicable to its assets;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Initial Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and New NAL, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (g) upon issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- (h) carry out the terms of the Final Order to the extent applicable to it;
- (i) not, except as specifically contemplated hereunder or in the Plan of Arrangement, merge into or with, or consolidate with, any other Person or, except in the normal and ordinary course of business, perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement; and
- (j) until the Initial Effective Date, except as specifically provided for hereunder and in the Plan of Arrangement, not alter or amend its constating or governing documents as the same exist at the date of this Agreement without the prior consent of New NAL, not to be unreasonably withheld.

### 3.9 Covenants of New NAL

New NAL covenants and agrees with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC that it will:

- (a) take all reasonable action necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all necessary consents, assignments, waivers and amendments to or terminations of any instruments and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) apply to the Court, in conjunction with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC, for the Interim Order;
- (d) solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare, in consultation and cooperation with the Trust and NAL Energy, the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in

accordance with, the Interim Order, and applicable corporate and securities laws, and file and distribute the same to Unitholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;

- (e) until the Initial Effective Date, other than as contemplated herein, in the Plan of Arrangement or in the Information Circular, not carry on any business, enter into any transaction or effect any corporate act whatsoever without the prior consent of NAL Energy;
- (f) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Initial Effective Date;
- (g) subject to the approval of the Arrangement Resolution by the Unitholders, submit the Arrangement to the Court and apply, in conjunction with the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC, for the Final Order and diligently prosecute such application and any appeal of the Final Order;
- (h) upon issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, forthwith proceed to file the Articles of Arrangement, the Final Order and all related documents with the Registrar;
- (i) carry out the terms of the Final Order to the extent applicable to it;
- (j) until the Initial Effective Date, except as specifically provided for hereunder or in the Plan of Arrangement, not alter or amend its constating or governing documents as the same exist at the date of this Agreement without the prior consent of NAL Energy, not to be unreasonably withheld;
- (k) prior to the Initial Effective Date, cooperate with the Trust in making the application to list:
  - (i) the Common Shares issuable by New NAL pursuant to the Arrangement;
  - (ii) the Debentures to be assumed by New NAL on the Initial Effective Date;
  - (iii) the Common Shares issuable upon the conversion, redemption or maturity of the New NAL Debentures;
  - (iv) the Common Shares to be reserved and authorized for issuance under the Amended DRIP; and
  - (v) the Common Shares to be reserved and authorized for issuance under the New NAL DSU Plan,

on the TSX on a substitutional listing basis;

- (l) reserve and authorize for issuance the Common Shares issuable pursuant to the Arrangement and upon the conversion, redemption or maturity of the Debentures assumed on the Initial Effective Date; and
- (m) on the Initial Effective Date:
  - (i) issue the Common Shares in exchange for the Trust Units; and
  - (ii) assume all of the covenants and obligations of the Trust for the Debentures,

in accordance with the Arrangement.

**ARTICLE 4**  
**REPRESENTATIONS AND WARRANTIES**

**4.1 Representations and Warranties of the Trust**

The Trust represents and warrants to and in favour of Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL as follows, and acknowledges that Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL are relying upon such representations and warranties:

- (a) the Trust is a trust duly settled and validly existing under the laws of Alberta and has the power and capacity, through the Trustee, NAL Energy and/or NAL Resources Management Limited, to enter into this Agreement and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by NAL Energy on behalf of the Trust and this Agreement constitutes a valid and binding obligation of the Trust enforceable against it in accordance with its terms;
- (c) the authorized capital of the Trust consists of 500,000,000 Trust Units and such number of Special Voting Units as may be prescribed by the Trustee or the Board of Directors of NAL Energy, of which 146,837,847 Trust Units are issued and outstanding as of the date of this Agreement as fully paid and non-assessable Trust Units;
- (d) as of the date of this Agreement, there are \$79.7 million principal amount of 6.75% Debentures issued and outstanding and \$115.0 million principal amount of 6.25% Debentures issued and outstanding;
- (e) as of the date of this Agreement, 12,665,697 Trust Units may be issued under the terms of the Debentures;
- (f) the Trust is a reporting issuer or the equivalent in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador and, to the best of its knowledge, is not in default of any requirement of securities and corporate laws, regulations, rules, orders, notices and policies;
- (g) the Trust Units and Debentures are listed and posted for trading on the TSX and, to the best of its knowledge, the Trust is in compliance, in all material respects, with all rules or policies of the TSX;
- (h) as of the dates as of which the information is given, such information set forth in the Information Circular regarding the Trust and its Subsidiaries shall be true and correct in all material respects and shall not contain any misrepresentation (as defined in applicable securities legislation); and
- (i) as of the date hereof, NAL Energy on behalf of the Trust has determined unanimously that:
  - (i) the Arrangement is fair to the Unitholders and is in the best interests of the Trust; and
  - (ii) it will recommend that Unitholders vote in favour of the Arrangement Resolution.

**4.2 Representations and Warranties of Ventures Trust**

Ventures Trust represents and warrants to and in favour of the Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL as follows, and acknowledges that the Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL are relying upon such representations and warranties:

- (a) Ventures Trust is a trust duly settled and validly existing under the laws of Alberta and has the power and capacity, through its trustee, Properties, to enter into this Agreement and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by Properties on behalf of Ventures Trust and this Agreement constitutes a valid and binding obligation of Ventures Trust enforceable against it in accordance with its terms; and
- (c) the Trust is the sole beneficiary of Ventures Trust.

#### 4.3 **Representations and Warranties of Addison LP**

Addison LP represents and warrants to and in favour of the Trust, Ventures Trust, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL as follows, and acknowledges that the Trust, Ventures Trust, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL are relying upon such representations and warranties:

- (a) Addison LP is a validly existing limited partnership under the laws of Alberta and has the power and capacity, through its general partner, GPCo, to enter into this Agreement and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by GPCo, as general partner for and on behalf of Addison LP, and this Agreement constitutes a valid and binding obligation of Addison LP enforceable against it in accordance with its terms; and
- (c) the authorized capital of Addison LP consists of a 9.33% general partnership interest which has been granted to GPCo, and a 90.67% limited partnership interest which has been granted to Ventures Trust, such partnership interests are issued and outstanding as of the date of this Agreement as fully paid and non-assessable partnership interests of Addison LP, respectively.

#### 4.4 **Representations and Warranties of GPCo**

GPCo represents and warrants to and in favour of the Trust, Ventures Trust, Addison LP, NAL Energy, Properties, NAL-ACE, ULC and New NAL as follows, and acknowledges that the Trust, Ventures Trust, Addison LP, NAL Energy, Properties, NAL-ACE, ULC and New NAL are relying upon such representations and warranties:

- (a) GPCo is a corporation validly existing under the laws of Alberta and has the corporate power and capacity to own or lease its property and assets, to carry on its business as now conducted by it, to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the Board of Directors of GPCo and this Agreement constitutes a valid and binding obligation of GPCo enforceable against it in accordance with its terms; and
- (c) the authorized capital of GPCo consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series, of which 60,002 common shares are issued and outstanding as of the date of this Agreement as fully paid and non-assessable common shares.

#### 4.5 **Representations and Warranties of NAL Energy**

NAL Energy represents and warrants to and in favour of the Trust, Ventures Trust, Addison LP, GPCo, Properties, NAL-ACE, ULC and New NAL as follows, and acknowledges that the Trust, Ventures Trust, Addison LP, GPCo, Properties, NAL-ACE, ULC and New NAL are relying upon such representations and warranties:

- (a) NAL Energy is a corporation validly existing under the laws of Alberta and has the corporate power and capacity to own or lease its property and assets, to carry on its business as now conducted by it, to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the Board of Directors of NAL Energy and this Agreement constitutes a valid and binding obligation of NAL Energy enforceable against it in accordance with its terms;
- (c) the authorized capital of NAL Energy consists of an unlimited number of common shares and an unlimited number of preferred shares, of which 10,000 common shares and one Series A preferred share are issued and outstanding as of the date of this Agreement as fully paid and non-assessable common and preferred shares; and
- (d) as of the date hereof, the Board of Directors of NAL Energy has determined unanimously that:
  - (i) the Arrangement is fair to Unitholders and is in the best interests of the Trust; and
  - (ii) it will recommend that Unitholders vote in favour of the Arrangement.

#### 4.6 **Representations and Warranties of Properties**

Properties represents and warrants to and in favour of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, NAL-ACE, ULC and New NAL as follows, and acknowledges that the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, NAL-ACE, ULC and New NAL are relying upon such representations and warranties:

- (a) Properties is a corporation validly existing under the laws of Alberta and has the corporate power and capacity to own or lease its property and assets, to carry on its business as now conducted by it, to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the Board of Directors of Properties and this Agreement constitutes a valid and binding obligation of Properties enforceable against it in accordance with its terms; and
- (c) the authorized capital of Properties consists of an unlimited number of common shares and an unlimited number of Deferred Share Unit Special Preferred Shares, issuable in series, of which 100 common shares, one Deferred Share Unit Special Preferred Share, Series A, one Deferred Share Unit Special Preferred Share, Series B, one Deferred Share Unit Special Preferred Share, Series C, one Deferred Share Unit Special Preferred Share, Series D and one Deferred Share Unit Special Preferred Share, Series E are issued and outstanding as of the date of this Agreement as fully paid and non-assessable common and preferred shares.

#### 4.7 **Representations and Warranties of NAL-ACE**

NAL-ACE represents and warrants to and in favour of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, ULC and New NAL as follows, and acknowledges that the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, ULC and New NAL are relying upon such representations and warranties:

- (a) NAL-ACE is a corporation validly existing under the laws of Alberta and has the corporate power and capacity to own or lease its property and assets, to carry on its business as now conducted by it, to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the Board of Directors of NAL-ACE and this Agreement constitutes a valid and binding obligation of NAL-ACE enforceable against it in accordance with its terms; and
- (c) the authorized capital of NAL-ACE consists of an unlimited number of common shares, of which 100 common shares are issued and outstanding as of the date of this Agreement as fully paid and non-assessable common shares.

#### **4.8 Representations and Warranties of ULC**

ULC represents and warrants to and in favour of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and New NAL as follows, and acknowledges that the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and New NAL are relying upon such representations and warranties:

- (a) ULC is a corporation validly existing under the laws of Alberta and has the corporate power and capacity to own or lease its property and assets, to carry on its business as now conducted by it, to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the Board of Directors of ULC and this Agreement constitutes a valid and binding obligation of ULC enforceable against it in accordance with its terms; and
- (c) the authorized capital of ULC consists of an unlimited number of common shares, of which one common share is issued and outstanding as of the date of this Agreement as a fully paid and non-assessable common share.

#### **4.9 Representations and Warranties of New NAL**

New NAL represents and warrants to and in favour of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC as follows, and acknowledges that the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC are relying upon such representations and warranties:

- (a) New NAL is a corporation validly existing under the laws of Alberta and has the corporate power and capacity to own or lease its property and assets, to carry on its business as now conducted by it, to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the Board of Directors of New NAL and this Agreement constitutes a valid and binding obligation of New NAL enforceable against it in accordance with its terms;
- (c) the authorized capital of New NAL consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, of which 100 Common Shares are issued and outstanding as of the date of this Agreement as fully paid and non-assessable Common Shares;
- (d) New NAL is not under any obligation, contractual or otherwise, to issue any Common Shares or other securities, except as required pursuant to this Agreement and the Arrangement; and

- (e) New NAL has not carried on any business since its incorporation other than as provided for herein.

**ARTICLE 5**  
**CONDITIONS PRECEDENT**

**5.1 Mutual Conditions Precedent**

The respective obligations of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL to complete the transactions contemplated by this Agreement shall be subject to the fulfillment or satisfaction, on or before the Initial Effective Date and/or the Second Effective Date, as applicable, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, acting reasonably, not later than November 12, 2010 or such later date as the parties hereto may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved at the Meeting by not less than 66⅔% of the votes cast in person or by proxy by the Unitholders who voted in respect of the Arrangement Resolution, in accordance with the provisions of the Interim Order, the Trust Indenture and any applicable regulatory requirements;
- (c) the Final Order shall have been granted in form and substance satisfactory to the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, acting reasonably, not later than December 31, 2010 or such later date as the parties may agree;
- (d) the Arrangement shall have become effective on or before December 31, 2010 or such later date as the parties may agree;
- (e) the Articles of Arrangement and all necessary related documents filed with the Registrar in accordance with the Arrangement shall be in form and substance satisfactory to each of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, acting reasonably and shall have been accepted for filing by the Registrar together with the Final Order in accordance with subsection 193(10) of the ABCA;
- (f) there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order, which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, or there shall not be in force any order or decree of any such entity that:
  - (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or
  - (ii) results in any judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;
- (g) all necessary material third party and regulatory consents, approvals and authorizations with respect to the transactions contemplated hereby shall have been completed or obtained including, without limitation, consent and approval from Ventures Trust's and Properties' principal lenders;

- (h) an administrative services and cost sharing agreement in form and substance satisfactory to NAL Energy and New NAL shall have been entered into between New NAL and NAL Resources Management Limited, NAL Resources Limited and the Manufacturers Life Insurance Company; and
- (i) the approval of the TSX to the conditional substitutional listing of:
  - (i) the Common Shares issuable by New NAL pursuant to the Arrangement;
  - (ii) the Debentures to be assumed by New NAL on the Initial Effective Date;
  - (iii) the Common Shares issuable upon the conversion, redemption or maturity of the New NAL Debentures;
  - (iv) the Common Shares to be reserved and authorized for issuance under the Amended DRIP; and
  - (v) the Common Shares to be reserved and authorized for issuance under the New NAL DSU Plan,

shall have been obtained, subject only to the filing with the TSX of required documents.

#### **5.2 Additional Conditions to Obligations of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC**

In addition to the conditions contained in Section 5.1, the obligation of each of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC to complete the transactions contemplated by this Agreement is subject to the fulfillment or satisfaction, on or before the Initial Effective Date and/or the Second Effective Date, as applicable, of each of the following conditions, any of which may be waived by them without prejudice to their right to rely on any other condition:

- (a) each of the covenants, acts and undertakings of New NAL to be performed or complied with on or before the Initial Effective Date and the Second Effective Date, as applicable, pursuant to the terms of this Agreement shall have been duly performed or complied with;
- (b) except as affected by the transactions contemplated by this Agreement, the representations and warranties of New NAL contained in Article 4 hereof shall be true in all material respects on the Initial Effective Date and the Second Effective Date, as applicable, with the same effect as if made at and as of such dates; and
- (c) the Board of Directors of NAL Energy shall not have determined in its sole and absolute discretion that to proceed with the Arrangement would not be in the best interests of the Unitholders.

#### **5.3 Additional Conditions to Obligations of New NAL**

In addition to the conditions contained in Section 5.1, the obligation of New NAL to complete the transactions contemplated by this Agreement is subject to the fulfillment or satisfaction, on or before the Initial Effective Date and/or the Second Effective Date, as applicable, of the following conditions, any of which may be waived by New NAL without prejudice to its right to rely on any other condition:

- (a) each of the covenants, acts and undertakings of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC to be performed or complied with on or before the Initial Effective Date and the Second Effective Date, as applicable, pursuant to the terms of this Agreement shall have been duly performed or complied with;

- (b) except as affected by the transactions contemplated by this Agreement, the representations and warranties of the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE and ULC contained in Article 4 hereof shall be true in all material respects on the Initial Effective Date and the Second Effective Date, as applicable, with the same effect as if made at and as of such dates;
- (c) the Board of Directors of NAL Energy shall not have modified or amended, in any respect, its affirmative recommendation that the Unitholders vote in favor of the Arrangement Resolution; and
- (d) prior to the Initial Effective Date, there shall have been no material adverse change in the business, affairs, operations or financial condition of the Trust and its Subsidiaries (on a consolidated basis) from that reflected in the Information Circular.

#### **5.4 Notice and Effect of Failure to Comply with Conditions**

If any of the conditions precedent set forth in sections 5.1, 5.2 or 5.3 hereof shall not be complied with or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or in equity, rescind and terminate this Agreement provided that prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other parties, specifying in reasonable detail all breaches of covenants or other matters which the party delivering such notice is asserting as the basis for the non-fulfillment of the applicable conditions precedent and the party in breach shall have failed to cure such breach within five (5) Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a party.

#### **5.5 Satisfaction of Conditions**

The conditions set out in this Article 5 shall be conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, the Articles of Arrangement, the Final Order and such other documents as are required are filed with the Registrar under the ABCA to give effect to the Arrangement.

### **ARTICLE 6 AMENDMENT AND TERMINATION**

#### **6.1 Amendments**

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective securityholders, and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the parties hereto;
- (b) waive any inaccuracies or modify any representation contained herein or in any document delivered pursuant hereto; and
- (c) waive compliance with or modify any of the covenants or conditions herein contained and waive or modify performance of any of the obligations of the parties hereto.

#### **6.2 Termination**

This Agreement shall be terminated in each of the following circumstances:

- (a) if the Arrangement shall not have become effective on or before December 31, 2010 or such later date as may be agreed to in writing by the parties hereto;
- (b) by agreement to terminate if executed and delivered by all parties hereto; or
- (c) upon any other circumstances hereunder that give rise to a termination of this Agreement by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL, including the failure to satisfy the conditions set forth in sections 5.1, 5.2 and 5.3 hereof.

**ARTICLE 7**  
**NOTICES**

**7.1 Notices**

All notices which may or are required to be given pursuant to any provision of this Agreement shall be given or made in writing and shall be served personally, and in the case of:

- (a) the Trust, addressed to:  
  
c/o NAL Energy  
1000, 550 - 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0S2  
  
Attention: President
- (b) Ventures Trust, addressed to:  
  
c/o Properties  
1000, 550 - 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0S2  
  
Attention: President
- (c) Addison LP, addressed to:  
  
c/o GPCo  
1000, 550 - 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0S2  
  
Attention: President
- (d) GPCo, addressed to:  
  
1000, 550 - 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0S2  
  
Attention: President

- (e) NAL Energy, addressed to:  
  
1000, 550 - 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0S2  
  
Attention: President
- (f) Properties, addressed to:  
  
1000, 550 - 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0S2  
  
Attention: President
- (g) NAL-ACE, addressed to:  
  
1000, 550 - 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0S2  
  
Attention: President
- (h) ULC, addressed to:  
  
1000, 550 - 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0S2  
  
Attention: President
- (i) New NAL, addressed to:  
  
1000, 550 - 6<sup>th</sup> Avenue S.W.  
Calgary, Alberta  
T2P 0S2  
  
Attention: President

## **ARTICLE 8**

### **GENERAL**

#### **8.1 Binding Effect**

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

#### **8.2 Expenses**

New NAL shall pay all expenses in connection with the preparation and execution of this Agreement and the completion of the transactions contemplated hereby or incidental hereto in the event of the successful implementation of the Arrangement pursuant to the terms of this Agreement.

### 8.3 **No Assignment**

The parties may not assign their rights or obligations under this Agreement.

### 8.4 **Equitable Remedies**

All covenants herein as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may not be ordered.

### 8.5 **Severability**

If any one or more of the provisions or parts of this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

### 8.6 **Time of Essence**

Time shall be of the essence.

### 8.7 **Further Assurances**

Each party hereto shall, from time to time, and at all times hereafter, at the request of any other parties hereto, but without further consideration, do all such further acts and things and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent hereof.

### 8.8 **Execution and Delivery in Counterparts**

This Agreement may be executed in identical counterparts, each of which is and is hereby conclusively deemed to be an original and counterparts collectively are to be conclusively deemed one instrument. Delivery of counterparts may be effected by facsimile transmission or scanned e-mail.

### 8.9 **Waiver**

No waiver by any party hereto shall be effective unless in writing and any waiver shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence.

### 8.10 **Liability of the Trust**

The parties hereto acknowledge that the obligations of the Trust hereunder shall not be personally binding upon any of the Trustee, NAL Resources Management Limited (in its capacity as manager on behalf of the Trust), NAL Energy (in its capacity as agent on behalf of the Trust) or any holder of Trust Units and that any recourse against the Trustee, the Trust, NAL Resources Management Limited (in its capacity as manager on behalf of the Trust), NAL Energy (in its capacity as agent on behalf of the Trust) or any holder of Trust Units in any manner in respect of any indebtedness, obligation or liability of the Trust arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including, without limitation, claims based on negligence or otherwise tortious behavior, shall be limited to, and satisfied only out of, the Trust Fund.

IN WITNESS WHEREOF each party hereto has executed this Agreement by its duly authorized officers as the date first above written.

**NAL OIL AND GAS TRUST, by its Agent, NAL ENERGY INC.**

Per: "Andrew B. Wiswell"  
Andrew B. Wiswell  
President & Chief Executive Officer

Per: "Keith A. Steeves"  
Keith A. Steeves  
Vice President & Chief Financial Officer

**ADDISON ENERGY LIMITED PARTNERSHIP, by its General Partner, NAL GP LTD.**

Per: "Andrew B. Wiswell"  
Andrew B. Wiswell  
President & Chief Executive Officer

Per: "Keith A. Steeves"  
Keith A. Steeves  
Vice President & Chief Financial Officer

**NAL ENERGY INC.**

Per: "Andrew B. Wiswell"  
Andrew B. Wiswell  
President & Chief Executive Officer

Per: "Keith A. Steeves"  
Keith A. Steeves  
Vice President & Chief Financial Officer

**NAL PETROLEUM (ACE) LTD.**

Per: "Andrew B. Wiswell"  
Andrew B. Wiswell  
President & Chief Executive Officer

Per: "Keith A. Steeves"  
Keith A. Steeves  
Vice President & Chief Financial Officer

**NAL VENTURES TRUST, by its Trustee, NAL PROPERTIES INC.**

Per: "Andrew B. Wiswell"  
Andrew B. Wiswell  
President & Chief Executive Officer

Per: "Keith A. Steeves"  
Keith A. Steeves  
Vice President & Chief Financial Officer

**NAL GP LTD.**

Per: "Andrew B. Wiswell"  
Andrew B. Wiswell  
President & Chief Executive Officer

Per: "Keith A. Steeves"  
Keith A. Steeves  
Vice President & Chief Financial Officer

**NAL PROPERTIES INC.**

Per: "Andrew B. Wiswell"  
Andrew B. Wiswell  
President & Chief Executive Officer

Per: "Keith A. Steeves"  
Keith A. Steeves  
Vice President & Chief Financial Officer

**1331899 ALBERTA ULC**

Per: "Andrew B. Wiswell"  
Andrew B. Wiswell  
President & Chief Executive Officer

Per: "Keith A. Steeves"  
Keith A. Steeves  
Vice President & Chief Financial Officer

**NAL ENERGY CORPORATION**

Per: "Andrew B. Wiswell"  
Andrew B. Wiswell  
President & Chief Executive Officer

Per: "Keith A. Steeves"  
Keith A. Steeves  
Vice President & Chief Financial Officer

## SCHEDULE ONE

To that Arrangement Agreement made  
the 10<sup>th</sup> day of November, 2010 among  
NAL Oil & Gas Trust, NAL Ventures Trust, Addison Energy Limited Partnership,  
NAL GP Ltd., NAL Energy Inc., NAL Properties Inc., NAL Petroleum (ACE) Ltd., 1331899 Alberta ULC  
and NAL Energy Corporation

### PLAN OF ARRANGEMENT MADE PURSUANT TO SECTION 193 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

#### ARTICLE 1 INTERPRETATION

1.1 In this Plan of Arrangement, the following words shall have the following meanings:

- (a) "**6.25% Debentures**" means the \$115 million aggregate principal amount of 6.25% convertible unsecured subordinated debentures of the Trust due December 31, 2014 issued pursuant to the Note Indenture;
- (b) "**6.75% Debentures**" means the \$100 million aggregate principal amount of 6.75% convertible extendible unsecured subordinated debentures of the Trust due August 31, 2012 issued pursuant to the Note Indenture;
- (c) "**ABCA**" means *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;
- (d) "**Addison LP**" means Addison Energy Limited Partnership, a limited partnership formed under the laws of the Province of Alberta;
- (e) "**Additional Addison LP Partnership Interest**" means an increase in the partnership interest of AmalCo in Addison LP in an amount equal to the fair market value of the AmalCo Assets less the amount of the AmalCo Liabilities;
- (f) "**AmalCo**" means the corporation resulting from the Amalgamation;
- (g) "**AmalCo Assets**" means all of the assets and property associated with the oil and natural gas production business of AmalCo (excluding any and all of the assets and property formerly held by NAL-ACE other than any assets and property acquired by NAL-ACE from NCWP on the day immediately prior to the Initial Effective Date);
- (h) "**AmalCo Common Shares**" means the common shares in the capital of AmalCo outstanding following completion of the Amalgamation;
- (i) "**AmalCo Liabilities**" means all of the liabilities associated with the oil and natural gas production business of AmalCo (excluding any and all of the liabilities of NAL-ACE other than any liabilities assumed from NCWP on the day immediately prior to the Initial Effective Date);
- (j) "**AmalCo Preferred Shares**" means the preferred shares in the capital of AmalCo outstanding following completion of the Amalgamation;
- (k) "**Amalgamation**" means the amalgamation of GPCo, NAL Energy, NAL-ACE and ULC pursuant to the provisions of the Arrangement;

- (l) "**Amended DRIP**" means the DRIP as amended and restated by the terms of this Plan of Arrangement;
- (m) "**Arrangement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to the arrangement pursuant to Section 193 of the ABCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular article, section or other portion hereof;
- (n) "**Arrangement Agreement**" means the agreement made as of November 10, 2010 between the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL with respect to the Arrangement and all amendments thereto;
- (o) "**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required by subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted in order to give effect to the Arrangement;
- (p) "**Business Day**" means a day, which is not a Saturday, Sunday or statutory holiday, when banks in the place at which any action is required to be taken hereunder are generally open for the transaction of commercial banking business;
- (q) "**Certificate**" means the certificate or proof of filing to be issued by the Registrar on the Initial Effective Date pursuant to subsection 193(11) or subsection 193(12) of the ABCA giving effect to the Arrangement;
- (r) "**Code**" means the United States Internal Revenue Code of 1986, as amended;
- (s) "**Code Regulations**" means the United States Treasury regulations promulgated under the Code, as amended;
- (t) "**Common Shares**" means the common shares in the capital of New NAL;
- (u) "**Court**" means the Court of Queen's Bench of Alberta;
- (v) "**Debentureholders**" means the holders of Debentures at any time and from time to time;
- (w) "**Debentures**" means, collectively, the 6.25% Debentures and the 6.75% Debentures;
- (x) "**Deferred Share Unit**" means a deferred share unit, redeemable at the time specified in the DSU Plan for a cash payment from Properties, granted under the terms of the DSU Plan and outstanding immediately prior to the Initial Effective Date;
- (y) "**Depository**" means Computershare Investor Services Inc.;
- (z) "**Distribution**" means a distribution payable by the Trust in respect of the Trust Units;
- (aa) "**DRIP**" means the Premium Distribution™, Distribution Reinvestment and Optional Trust Unit Purchase Plan of the Trust;
- (bb) "**DRS Advice**" means the document evidencing the electronic registration of ownership of Common Shares under the Direct Registration System adopted by Computershare;
- (cc) "**DSU Plan**" means the Deferred Share Unit Plan of Properties;
- (dd) "**DSU Special Preferred Shares**" means the Deferred Share Unit Special Preferred Shares in the capital of Properties;

- (ee) "**Encumbrance**" means any encumbrance, lien, charge, security interest, option, privilege or other restriction or right of any kind or nature, and any right or privilege capable of becoming any of the foregoing;
- (ff) "**Final Order**" means the final order of the Court approving the Arrangement pursuant to paragraph 193(9)(a) of the ABCA as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (gg) "**GPCo**" means NAL GP Ltd., a corporation amalgamated under the ABCA;
- (hh) "**Information Circular**" means the information circular to be prepared by NAL Energy on behalf of the Trust and forwarded to Unitholders as part of the proxy solicitation materials in respect of the Meeting;
- (ii) "**Initial Effective Date**" means the date shown on the Certificate issued by the Registrar;
- (jj) "**Interim Order**" means the interim order of the Court pursuant to subsection 193(4) of the ABCA containing declarations and directions with respect to this Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;
- (kk) "**Legacy Royalty**" means the royalty granted by NAL Energy to the Trust in respect of 99% of the net production revenue less certain prescribed deductions of NAL Energy pursuant to the terms of the Royalty Agreement;
- (ll) "**Letter of Transmittal**" means the letter of transmittal to be forwarded by the Trust to Unitholders pursuant to which a registered Unitholder is required to deliver the certificate or certificates representing the Unitholder's Trust Units in order to receive, upon completion of the Arrangement, a certificate or DRS Advice representing the Common Shares issued to the Unitholder pursuant to the Arrangement;
- (mm) "**Meeting**" means the special meeting of Unitholders to be held to consider, among other things, the Arrangement, and any adjournments thereof;
- (nn) "**NAL-ACE**" means NAL Petroleum (ACE) Ltd., a corporation amalgamated under the ABCA;
- (oo) "**NAL Energy**" means NAL Energy Inc., a corporation amalgamated under the ABCA;
- (pp) "**NAL Energy Common Shares**" means the common shares in the capital of NAL Energy;
- (qq) "**NAL Energy Preferred Shares**" means the preferred shares in the capital of NAL Energy;
- (rr) "**NCWP**" means NAL Canada West Partnership, a partnership formed under the laws of the Province of Alberta;
- (ss) "**New NAL**" means NAL Energy Corporation, a corporation incorporated under the ABCA;
- (tt) "**Note Indenture**" means the note indenture dated August 28, 2007 between Computershare Trust Company of Canada, as trustee for the Debentureholders, and the Trust, as supplemented by a first supplemental note indenture dated December 3, 2009, establishing and setting forth the terms of the Debentures;
- (uu) "**Person**" means an individual, partnership, association, body corporate, trust, unincorporated organization, government, regulatory authority or other entity;

- (vv) "**Plan of Arrangement**" means this plan of arrangement, as amended or supplemented from time to time;
  - (ww) "**Properties**" means NAL Properties Inc., a corporation incorporated under the ABCA;
  - (xx) "**Record Date**" means 4:30 p.m. (Calgary time) on November 9, 2010;
  - (yy) "**Registrar**" means the Registrar of Corporations duly appointed under section 263 of the ABCA;
  - (zz) "**Royalty Agreement**" means the amended and restated royalty agreement between NAL Energy and the Trustee effective December 31, 2005, as amended effective June 1, 2008;
  - (aaa) "**Second Effective Date**" means the day immediately following the Initial Effective Date;
  - (bbb) "**Securities Act**" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;
  - (ccc) "**Shareholders**" means the holders of Common Shares at any time and from time to time;
  - (ddd) "**Subsidiary**" has the meaning ascribed to it in the Securities Act;
  - (eee) "**Trust**" means NAL Oil & Gas Trust, an open-ended investment trust established pursuant to the laws of the Province of Alberta and governed by the Trust Indenture;
  - (fff) "**Trust Indenture**" means the Amended and Restated Trust Indenture dated effective May 31, 2006 between NAL Energy and the Trustee, as amended effective May 31, 2008;
  - (ggg) "**Trust Units**" means the trust units of the Trust authorized pursuant to the Trust Indenture;
  - (hhh) "**Trustee**" means Computershare Trust Company of Canada, in its capacity as trustee of the Trust;
  - (iii) "**ULC**" means 1331899 Alberta ULC, an unlimited liability corporation incorporated under the ABCA;
  - (jjj) "**Unitholders**" means the holders of Trust Units at any time and from time to time;
  - (kkk) "**USA**" means the amended and restated unanimous shareholder agreement of NAL Energy effective as of May 21, 2008 between Ventures Trust, NAL Energy and the Trustee, as amended;
  - (lll) "**Ventures Trust**" means NAL Ventures Trust, an unincorporated trust established pursuant to the laws of the Province of Alberta and governed by the Ventures Trust Indenture; and
  - (mmm) "**Ventures Trust Indenture**" means the Declaration of Trust dated August 1, 2002 between NAL Resources Management Limited and NAL Ventures Inc., as amended by a First Amended and Restated Trust Indenture dated August 1, 2002 between NAL Resources Management Limited and NAL Ventures Inc.
- 1.2 The division of this Plan of Arrangement into articles, sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Arrangement.
- 1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles, sections, subsections and paragraphs are to articles, sections, subsections and paragraphs of this Plan of Arrangement.

- 1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and *vice versa*; and words importing any gender shall include all genders.
- 1.5 In the event that the date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place, with the exception of actions required to be taken on the Second Effective Date to which this Section 1.5 shall have no application.
- 1.6 References in this Plan of Arrangement to any statute or section thereof shall include such statute as amended or substituted and any regulations or rules promulgated thereunder from time to time in effect.
- 1.7 Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

**ARTICLE 2**  
**PURPOSE AND EFFECT OF THE ARRANGEMENT**

- 2.1 The following is only intended to be a general statement of the purpose of the Arrangement and is qualified in its entirety by the specific provisions of the Arrangement:

The purpose of the Arrangement is to effect a reorganization and restructuring of the Trust in a manner that provides consistent and equitable treatment among Unitholders and Debentureholders and maintains the business and goodwill of the Trust and NAL Energy in New NAL as a publicly listed going concern. The reorganization will, among other things, result in: (i) the Unitholders becoming holders of Common Shares; (ii) the Trust and Ventures Trust being wound-up and terminated; and (iii) New NAL, directly or indirectly, carrying on the business of the Trust and its Subsidiaries.
- 2.2 The Arrangement shall be binding upon the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC, New NAL, the Unitholders, the holders of Trust Units pursuant to the DRIP, the holders of Deferred Share Units and the Debentureholders.
- 2.3 Articles of Arrangement shall be filed with the Registrar with the purpose and intent that none of the provisions of the Arrangement shall become effective unless all of the provisions of the Arrangement shall become effective. The Certificate shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective on the Initial Effective Date and/or the Second Effective Date, as applicable, at the time and in the sequence set out therein.
- 2.4 The parties to this Plan of Arrangement intend that for United States federal income tax purposes the transactions contemplated hereby qualify as a "reorganization" within the meaning of section 368(a) of the Code and that this Plan of Arrangement constitute a "plan of reorganization" within the meaning of section 1.368-2(g) of the Code Regulations.

**ARTICLE 3**  
**ARRANGEMENT**

- 3.1 On the Initial Effective Date, each of the events set out below shall occur and shall be deemed to occur at the following times and in the following order without any further act or formality:

***Amendment of the Trust Indenture and the Ventures Trust Indenture***

- (a) at 12:01 a.m. (Calgary time), each of the Trust Indenture and the Ventures Trust Indenture shall be amended to the extent necessary to facilitate the Arrangement and the implementation of the steps and transactions contemplated herein;

***Termination of the USA***

- (b) at 12:05 a.m. (Calgary time), the USA shall be terminated;

***Assumption of Debentures***

- (c) at 12:10 a.m. (Calgary time), New NAL shall assume all of the covenants and obligations of the Trust for the Debentures in accordance with the terms of the Note Indenture, in exchange for the number of Trust Units agreed to by New NAL and the Trust, such that the Debentures shall become valid and binding obligations of New NAL and the Note Indenture shall be amended to the extent necessary to facilitate such assumption;

***Exchange of Trust Units for Common Shares***

- (d) at 12:15 a.m. (Calgary time), each outstanding Trust Unit held by Unitholders (other than New NAL) shall, without any further action by or on behalf of such Unitholders, be transferred to New NAL (free and clear of any Encumbrances) in exchange for one (1) fully paid and non-assessable Common Share;
- (e) at 12:15 a.m. (Calgary time), the Common Shares issued to the Trust in connection with the incorporation and organization of New NAL shall be purchased for cancellation by New NAL for consideration of \$1.00 per Common Share, and shall be cancelled;
- (f) upon the exchange of Trust Units for Common Shares pursuant to subsection 3.1(d) above:
  - (i) each former Unitholder shall cease to be the holder of the Trust Units so exchanged and the name of each such former holder shall be removed from the register of holders of Trust Units;
  - (ii) each such former Unitholder shall become a holder of the Common Shares so received and shall be added to the register of holders of Common Shares; and
  - (iii) New NAL shall become the holder of the Trust Units so exchanged and shall be added to the register of holders of Trust Units in respect thereof;
- (g) upon the issuance of the Common Shares in accordance with subsection 3.1(d) above, there shall be added to the stated capital account maintained for the Common Shares an amount determined by the board of directors of New NAL in accordance with subsection 28(3) of the ABCA;

***Dissolution of Ventures Trust***

- (h) at 12:20 a.m. (Calgary time), all of the property of Ventures Trust shall be transferred to the Trust, the Trust shall assume all of the liabilities and obligations of Ventures Trust, all of the interests of the Trust as a beneficiary of Ventures Trust shall be cancelled and Ventures Trust shall be dissolved and shall thereafter cease to exist;

*Amalgamation of GPCo, NAL-ACE, ULC and NAL Energy*

(i) at 12:25 a.m. (Calgary time), GPCo, NAL-ACE, ULC and NAL Energy shall be amalgamated to form AmalCo as follows:

- (i) the stated capital accounts maintained for the shares of each of the amalgamating corporations shall be added to the stated capital of AmalCo;
- (ii) AmalCo shall issue (A) one hundred (100) AmalCo Common Shares in exchange for all the shares of the amalgamating corporations other than the NAL Energy Preferred Shares and (B) one (1) AmalCo Preferred Share in exchange for the NAL Energy Preferred Shares, to the Trust in connection with the Amalgamation;
- (iii) the name of AmalCo shall be NAL Petroleum (ACE) Ltd.;
- (iv) the registered office of AmalCo shall be located at 1000, 550 – 6<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 0S2;
- (v) the Articles of Amalgamation of AmalCo shall be the same as the Articles of Incorporation of NAL Energy;
- (vi) the first directors of AmalCo shall be the Persons whose names and municipality of residence appear below:

Name	Municipality of Residence
Andrew B. Wiswell	Calgary, Alberta
Keith A. Steeves	Calgary, Alberta
Marlon McDougall	Calgary, Alberta

such directors shall hold office until the first annual meeting of AmalCo or until their successors are duly elected or appointed;

- (vii) the first officers of AmalCo shall be the officers of NAL Energy;
- (viii) the by-laws of AmalCo until repealed, amended or altered shall be the by-laws of NAL Energy;
- (ix) the property of each of the amalgamating corporations shall continue to be the property of AmalCo;
- (x) AmalCo shall continue to be liable for the obligations of each of the amalgamating corporations;
- (xi) any existing cause of action, claim or liability to prosecution of any of the amalgamating corporations shall be unaffected;
- (xii) any civil, criminal or administrative action or proceeding pending by or against any of the amalgamating corporations may be continued to be prosecuted by or against AmalCo;
- (xiii) a conviction against, or ruling, order, judgment in favour of or against, any of the amalgamating corporations may be enforced by or against AmalCo; and
- (xiv) the first auditors of AmalCo shall be KPMG LLP;

*Amendments relating to the DSU Plan*

(j) at 12:30 a.m. (Calgary time), the Articles of Incorporation of Properties shall be amended to reflect the exchange of Trust Units for Common Shares pursuant to subsection 3.1(d) above by:

(i) adding the following definitions to the terms of the DSU Special Preferred Shares:

(A) "**NAL Common Shares**" means the common shares in the capital of NAL Energy;

(B) "**NAL Energy**" means NAL Energy Corporation, a corporation incorporated under the laws of Alberta; and

(C) "**Shareholders**" means holders of NAL Common Shares; and

(ii) amending the definition of "**Current Market Price**" in the terms of the DSU Special Preferred Shares to read as follows:

"**Current Market Price**" means, in respect of a Trust Unit or a NAL Common Share, as the case may be, on any date, the weighted average trading price of a Trust Unit or NAL Common Share, as the case may be, on the TSX for the five trading days preceding that date, or, if the Trust Units or the NAL Common Shares, as the case may be, are not then listed on the TSX, on such other stock exchange or automated quotation system on which the Trust Units or the NAL Common Shares, as the case may be, are listed or quoted, as the case may be, as may be selected by the Board of Directors for such purpose; provided, however, that if, in the opinion of the Board of Directors, the public distribution or trading activity of Trust Units or the NAL Common Shares, as the case may be, for that period does not result in a weighted average trading price which reflects the fair market value of a Trust Unit or a NAL Common Share, as the case may be, then the Current Market Price of a Trust Unit or a NAL Common Share, as the case may be, shall be determined by the Board of Directors, in good faith and in its sole discretion, and provided further that any such selection, opinion or determination by the Board of Directors shall be conclusive and binding;

(iii) amending the definition of "**Distribution**" in the terms of the DSU Special Preferred Shares to read as follows:

"**Distribution**" means a cash distribution paid by the Trust in respect of the Trust Units, expressed as an amount per Trust Unit, or a cash dividend paid by NAL Energy in respect of the NAL Common Shares, expressed as an amount per NAL Common Share, as the case may be;

(iv) amending the definition of "**Distribution Payment Date**" in the terms of the DSU Special Preferred Shares to read as follows:

"**Distribution Payment Date**" means a date on which a Distribution is paid to Unitholders or Shareholders;

(v) amending the definition of "**Distribution Record Date**" in the terms of the DSU Special Preferred Shares to read as follows:

"**Distribution Record Date**" means the day on which Unitholders or Shareholders, as the case may be, are identified for purposes of determining

entitlement to a Distribution, generally being the last Business Day of each month;

- (vi) amending the definition of "**Exchange Ratio**" in the terms of the DSU Special Preferred Shares to read as follows:

"**Exchange Ratio**" at any time and in respect of each DSU Special Preferred Share, shall be equal to 1.00000, as at the Issuance Date for the particular DSU Special Preferred Share, and shall be cumulatively adjusted thereafter for each DSU Special Preferred Share by increasing the Exchange Ratio on each Distribution Payment Date between the Issuance Date and the time as of which the Exchange Ratio is calculated by an amount, rounded to the nearest five decimal places, equal to a fraction having as its numerator the Distribution, expressed as an amount per Trust Unit or NAL Common Share, as the case may be, paid on that Distribution Payment Date, multiplied by the Exchange Ratio immediately prior to the Distribution Record Date for such Distribution and having as its denominator the Current Market Price on the first Business Day following the Distribution Record Date for such Distribution;

- (vii) amending the definition of "**Redemption Price**" in the terms of the DSU Special Preferred Shares to read as follows:

"**Redemption Price**" means a price per DSU Special Preferred Share equal to the amount determined by multiplying the Exchange Ratio on the last Business Day prior to the applicable Redemption Date by the Current Market Price of a Trust Unit or NAL Common Share, as the case may be, on the last Business Day prior to such Redemption Date;

- (viii) replacing the word "Trust Unit" with the words "Trust Unit or NAL Common Share, as the case may be," in Section 5.1 of the terms of the DSU Special Preferred Shares; and

- (ix) amending Article 7 of the DSU Special Preferred Shares to read as follows:

#### **RECIPROCAL CHANGES ETC.**

7.1 The Exchange Ratio shall be simultaneously adjusted (in addition to adjustments from time-to-time in respect of Distributions) on an economically equivalent basis if the Trust or NAL Energy:

- (a) issues or distributes Trust Units or NAL Common Shares (or securities exchangeable for or convertible into or carrying rights to acquire Trust Units or NAL Common Shares), as the case may be, to the holders of all or substantially all of the then outstanding Trust Units or NAL Common Shares, as the case may be, by way of stock distribution or other distribution, other than an issue of Trust Units or NAL Common Shares (or securities exchangeable for or convertible into or carrying rights to acquire Trust Units or NAL Common Shares), as the case may be, to holders of Trust Units or NAL Common Shares, as the case may be, who exercise an option to receive distributions in Trust Units or NAL Common Shares (or securities exchangeable for or convertible into or carrying rights to acquire Trust Units or NAL Common Shares), as the case may be, in lieu of receiving cash distributions or dividends; or

- (b) issues or distributes rights, options or warrants to the holders of all or substantially all of the then outstanding Trust Units or NAL Common Shares, as the case may be, entitling them to subscribe for or to purchase Trust Units or NAL Common Shares (or securities exchangeable for or convertible into or carrying rights to acquire Trust Units or NAL Common Shares), as the case may be; or
- (c) issues or distributes to the holders of all or substantially all of the then outstanding Trust Units or NAL Common Shares, as the case may be:
  - (i) securities of the Trust of any class other than Trust Units or securities of NAL Energy other than NAL Common Shares (other than securities convertible into or exchangeable for or carrying rights to acquire Trust Units or NAL Common Shares, as the case may be);
  - (ii) rights, options or warrants other than those referred to in Section 7.1(b) above;
  - (iii) evidences of indebtedness of the Trust or NAL Energy, as the case may be; or
  - (iv) assets of the Trust or NAL Energy, as the case may be, other than Distributions which result in an adjustment to the Exchange Ratio; or
- (d) subdivides, redivides or changes the then outstanding Trust Units or NAL Common Shares, as the case may be, into a greater number of Trust Units or NAL Common Shares, as the case may be; or
- (e) reduces, combines, consolidates or changes the then outstanding Trust Units or NAL Common Shares, as the case may be, into a lesser number of Trust Units or NAL Common Shares, as the case may be; or
- (f) reclassifies or otherwise changes the Trust Units or the NAL Common Shares, as the case may be, or effects an amalgamation, combination, merger, reorganization or other transaction affecting the Trust Units or the NAL Common Shares, as the case may be,

if, in the sole discretion of the Board of Directors, such adjustments are necessary to preserve the economically equivalent position of the holders of the DSU Special Preferred Shares.

- (k) upon the amendment of the Articles of Incorporation of Properties in the manner prescribed by subsection 3.1(j) above, all of the issued and outstanding Deferred Share Units and the DSU Plan shall be amended as required to reflect the exchange of Trust Units for Common Shares pursuant to subsection 3.1(d) above and the amendment of the Articles of Incorporation of Properties pursuant to subsection 3.1(j) above;

### ***Transfer of Legacy Royalty***

- (l) at 12:35 a.m. (Calgary time), the Trust shall transfer to AmalCo all of its right, title and interest in the Legacy Royalty in consideration for the issuance by AmalCo to the Trust of a number of AmalCo Common Shares agreed to by AmalCo and the Trust; and
  - (m) upon the issuance of the AmalCo Common Shares in accordance with subsection 3.1(l) above, there shall be added to the stated capital account maintained for the AmalCo Common Shares an amount determined by the board of directors of AmalCo in accordance with subsection 28(3) of the ABCA.
- 3.2 On the Second Effective Date, each of the events set out below shall occur and shall be deemed to occur at the following times and in the following order without any further act or formality:

### ***Dissolution of the Trust***

- (a) at 12:01 a.m. (Calgary time), all of the property of the Trust shall be transferred to New NAL, New NAL shall assume all of the liabilities and obligations of the Trust (including the DRIP and associated agreements and the liabilities and obligations of the Trust in respect of any declared but unpaid Distributions), all of the interests of New NAL as a beneficiary of the Trust shall be cancelled and the Trust shall be dissolved and shall thereafter cease to exist;
- (b) upon the dissolution of the Trust pursuant to subsection 3.2(a) above, the Amended DRIP shall become effective and all existing participants in the DRIP shall be deemed to be participants in the Amended DRIP without any further action on the part of such participants and the holders of Common Shares may participate in the Amended DRIP with respect to any cash dividends declared and paid on the Common Shares from time to time; and

### ***Contribution of AmalCo Assets and Assumption of AmalCo Liabilities***

- (c) at 12:05 a.m. (Calgary time), AmalCo shall transfer to Addison LP the AmalCo Assets in consideration for the assumption by Addison LP of the AmalCo Liabilities and the Additional Addison LP Partnership Interest.

## **ARTICLE 4**

### **OUTSTANDING CERTIFICATES**

- 4.1 After the Initial Effective Date, certificates formerly representing Trust Units shall represent only the right to receive the Common Shares which the former holder of such Trust Units is, subject to Section 4.5, entitled to receive pursuant to Article 3 of this Plan of Arrangement, subject to compliance with the requirements set forth in this Article 4.
- 4.2 All dividends paid with respect to any Common Shares allotted and issued pursuant to this Plan of Arrangement but for which a certificate or DRS Advice has not been issued, shall either: (a) be paid or delivered to the Depository to be held by the Depository in trust for the registered holder thereof; or (b) where the Person was a registered holder of Trust Units and is deemed to be a participant in the Amended DRIP, such monies will be applied automatically for the purchase of Common Shares in accordance with the terms and conditions of the Amended DRIP. All monies received by the Depository shall be held in trust accounts upon such terms as the Depository may reasonably deem appropriate. Subject to Section 4.5, the Depository shall pay and deliver to any such registered holder such dividends to which such holder is entitled, net of applicable withholding and other taxes, upon delivery of the certificate or DRS Advice representing the Common Shares issued to such holder in accordance with Section 4.3. No registered holder shall be entitled to receive any interest on the payment of such dividends.

- 4.3 At the time of mailing the Information Circular, the Trust shall forward to each Unitholder at the address of such holder as it appears on the register of Trust Units on the Record Date, the Letter of Transmittal and instructions for obtaining delivery of the certificate or DRS Advice representing the Common Shares issued to such holder pursuant to this Plan of Arrangement. A Unitholder may take delivery of such certificate or DRS Advice representing the Common Shares by delivering the certificates representing such holder's Trust Units to the Depositary at any of the offices indicated in the Letter of Transmittal, accompanied by a duly completed Letter of Transmittal and such other documents as the Depositary may reasonably require. The certificate or DRS Advice representing the Common Shares issued to such holder shall be registered in such names and delivered to such addresses as such holder may direct in such Letter of Transmittal, or if requested by the former Unitholder in the Letter of Transmittal, shall be made available at the Depositary for pick-up by the former Unitholder, as soon as practicable after receipt by the Depositary of the required documents.
- 4.4 Unitholders shall not be entitled to any interest, distribution, premium or other payment on or with respect to the former Trust Units other than the Common Shares which they are entitled to receive pursuant to the Arrangement.
- 4.5 Any certificate formerly representing Trust Units that is not deposited with all other documents as provided in Section 4.3 on or before the last Business Day before the third anniversary of the Initial Effective Date shall, effective at 5:00 p.m. (Calgary time) on the last Business Day before the third anniversary of the Initial Effective Date: (a) cease to represent a right or claim of any kind or nature and the right of the former holder of such Trust Units to receive Common Shares and/or any cash payments, as the case may be; and (b) be deemed to be surrendered to New NAL together with all dividends thereon held for such holder.
- 4.6 If any certificate which immediately prior to the Initial Effective Date represented an interest in outstanding Trust Units that were transferred pursuant to subsection 3.1(d) hereof has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to have been lost, stolen or destroyed, the registered holder thereof in the register of Trust Units shall, as a condition precedent to the receipt of any Common Shares to be issued to such Person, provide to New NAL and the Depositary a bond, in form and substance satisfactory to New NAL and the Depositary, or otherwise indemnify New NAL and the Depositary to their satisfaction, in their sole and absolute discretion, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

## **ARTICLE 5**

### **FRACTIONAL COMMON SHARES**

- 5.1 No certificates or DRS Advice representing fractional Common Shares shall remain outstanding following the completion of the events set forth in subsection 3.1(d). In lieu of any fractional Common Shares, each registered holder of Trust Units otherwise entitled to a fractional interest in New NAL will receive the nearest whole number of Common Shares (with fractions equal to or greater than 0.5 being rounded up and less than 0.5 being rounded down).

## **ARTICLE 6**

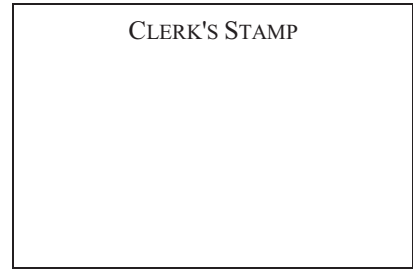
### **AMENDMENTS**

- 6.1 The Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Initial Effective Date provided that any such amendment, modification or supplement must be contained in a written document that is: (a) filed with the Court and, if made following the Meeting, approved by the Court; and (b) communicated to Unitholders in the manner required by the Court (if so required).

- 6.2 Any amendment, modification or supplement to this Plan of Arrangement may be proposed by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL at any time and from time to time prior to or at the Meeting with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- 6.3 Any amendment, modification or supplement to this Plan of Arrangement which is approved by the Court following the Meeting shall be effective only: (a) if it is consented to by the Trust, Ventures Trust, Addison LP, GPCo, NAL Energy, Properties, NAL-ACE, ULC and New NAL; and (b) if required by the Court or applicable law, it is consented to by the Unitholders.

**APPENDIX "B"**

**INTERIM ORDER**



COURT FILE NUMBER 1001-16702

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS NAL OIL & GAS TRUST, NAL VENTURES TRUST, ADDISON ENERGY LIMITED PARTNERSHIP, NAL ENERGY INC., NAL GP LTD., NAL PROPERTIES INC., NAL PETROLEUM (ACE) LTD., 1331899 ALBERTA ULC AND NAL ENERGY CORPORATION

RESPONDENT(S)

DOCUMENT

**INTERIM ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

**BENNETT JONES LLP**  
Barristers and Solicitors  
4500 Bankers Hall East  
855-2<sup>nd</sup> Street SW  
Calgary, Alberta T2P 4K7

Attention: Laurie A. Goldbach  
Telephone No.: 403-298-3614  
Fax No.: 403-265-7219  
Client File No.: 38194-133

**DATE ON WHICH ORDER WAS PRONOUNCED: NOVEMBER 12, 2010**

**NAME OF JUSTICE WHO MADE THIS ORDER: B.E.C. ROMAINE**

**INTERIM ORDER**

UPON the Originating Application of NAL Oil & Gas Trust (the "Trust"), NAL Ventures Trust ("Ventures Trust"), Addison Energy Limited Partnership ("Addison LP"), NAL Energy Inc. ("NAL Energy"), NAL GP Ltd. ("GPCo"), NAL Properties Inc. ("Properties"), NAL Petroleum (ACE) Ltd. ("NAL-ACE"), 1331899 Alberta ULC

("ULC") and NAL Energy Corporation ("New NAL") pursuant to Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended ("ABCA");

AND UPON reading the said Originating Application and the Affidavit of Andrew B. Wiswell, filed herein;

AND UPON it appearing that notice of this application has been given to the Executive Director of the Alberta Securities Commission ("Executive Director") as required by Subsection 193(8) of the ABCA and that the Executive Director does not intend to appear to make submissions with respect to this application and neither consents to nor opposes it;

AND UPON hearing counsel for the Applicants;

AND UPON NOTING THAT for the purposes of this Order the capitalized terms not defined in this Order shall have the meaning ascribed to them in the draft Management Information Circular of the Trust (the "Circular"), which is attached as Exhibit "1" to the Affidavit of Andrew B. Wiswell sworn November 10, 2010 (the "Wiswell Affidavit");

IT IS HEREBY ORDERED THAT:

#### **Meeting of Unitholders**

1. The Trust shall convene a special meeting (the "Meeting") of the holders ("Unitholders") of trust units ("Trust Units") of the Trust, on or about December 16, 2010, to consider and vote upon, with or without variation, a special resolution (the "Arrangement Resolution") approving a plan of arrangement (the "Arrangement") in respect of the Trust, Ventures Trust, Addison LP, NAL Energy, GPCo, Properties, NAL-ACE, ULC, New NAL and the Unitholders, as contemplated by the Arrangement. A true copy of the Arrangement in its substantially final form is included in Appendix "A" to the Circular that is Exhibit "1" to the Wiswell Affidavit. The Unitholders may further deal with any other items of business as may be proposed and properly disclosed in the Circular.
2. The Meeting shall be called, held and conducted in accordance with the Trust Indenture and applicable securities laws, subject to what may be provided hereafter.

#### **Notice of Meeting**

3. The only persons entitled to notice of the Meeting shall be the Unitholders of record as of November 9, 2010 (the "Record Date"), the auditors of the Trust, the board of directors of NAL Energy, and the Executive Director of the Alberta Securities Commission.
4. At least twenty-one days (exclusive of the day of mailing or delivery but inclusive of the day of the Meeting) prior to the day of the Meeting, the Trust and NAL Energy shall send:

- (a) the Notice of the Special Meeting of Unitholders;
- (b) the Notice of Originating Application; and
- (c) the Information Circular (collectively, the "Meeting Materials");

all in substantially the forms contained in Exhibit "1" to the Wiswell Affidavit, with such amendments as counsel for the Trust may advise are necessary or advisable, provided that such amendments are not inconsistent with the terms of this Order, to the Unitholders of record as of the Record Date, to the auditors of the Trust, to the board of directors of NAL Energy, and to the Executive Director of the Alberta Securities Commission, by mailing the same by prepaid ordinary mail or by delivering the same by direct courier at the expense of NAL Energy. Such mailing and delivery shall constitute good and sufficient service of notice of the Originating Application, the Meeting and the hearing in respect of the Originating Application. In the case of non-registered Unitholders, service of the Originating Application, the Meeting and the hearing in respect of the Originating Application shall be given in accordance with the Trust's obligations under National Instrument 54-101.

5. The Meeting Materials shall be deemed to have been received, in the case of mailing, three (3) days after delivery to the post office, and in the case of delivery in person, by courier or by expedited parcel post, upon receipt at the intended recipient's address.

6. The Trust is authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of the Unitholders in respect of the adjournment or postponement. Notice of such adjournment or postponement may be given by such method as the Trust determines is appropriate in the circumstances.

7. The Trust is hereby authorized to make such amendments, revisions or supplements ("Additional Information") to the Meeting Materials as it may determine, and the Trust and NAL Energy shall distribute such Additional Information by the method and in the time most reasonably practicable in the circumstances.

8. The accidental omission to give notice of the Meeting to, or the non-receipt of the notice by, one or more of the aforesaid persons, shall not invalidate any resolution passed or proceedings taken at the Meeting.

#### **Conduct of the Meeting**

9. The registered Unitholders present in person or represented by proxy at the Meeting shall be the only persons entitled to vote on the Arrangement Resolution. On the Arrangement Resolution, Unitholders as at the Record Date are entitled to one vote for each Trust Unit held.

10. The requisite majority for the approval of the Arrangement Resolution shall be a majority of not less than 66 2/3% of the votes cast by Unitholders voting in person or by proxy, at the Meeting.

11. To be valid, proxies must be deposited in the manner described in the Information Circular.
12. The chairman of the board of directors of NAL Energy, or failing him, any person to be chosen at the Meeting by Computershare Trust Company of Canada, the trustee of the Trust, shall be the chair of the Meeting.
13. The quorum required for the Meeting shall consist of two Unitholders either present in person or represented by proxy at the Meeting and representing in the aggregate not less than 5% of the votes attached to the outstanding Trust Units. If a quorum is not present at the Meeting within one-half hour after the time fixed for the holding of the Meeting, the Meeting shall stand adjourned to such day being not less than 14 days later and to such place and time as may be appointed by the chairman of the Meeting. If at such adjourned meeting a quorum as described above is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt at the Meeting in accordance with the notice calling the same.
14. The mailing of the Meeting Materials, in accordance with the provisions of this Order, shall constitute good and sufficient service in respect of this Originating Application upon all persons who are entitled to receive such notice pursuant to this Order and no other form of service need be made and no other material need be served on such persons in respect of these proceedings, and service of the Originating Application and Affidavit is dispensed with, except for service thereof on the Executive Director of the Alberta Securities Commission.

**Final Approval**

15. Upon approval of the Arrangement at the Meeting in the manner set forth in this Order, the Applicants may apply before this Court for approval of the Arrangement, which application (the "Final Application") shall be heard by this Honourable Court at the Calgary Courts Centre, 601 – 5<sup>th</sup> Street SW, in the City of Calgary, in the Province of Alberta, on December 17, 2010 at 9:30 a.m. (Calgary time) or at such other time as the Court may entertain it.
16. Any Unitholder and any other interested persons may appear on the Final Application provided that such Unitholder or person shall file with this Court and serve on the Trust in care of its solicitors on or before 12:00 noon (Calgary time), on December 10, 2010, a Notice of Intent to Appear setting out the address for service in respect of such Unitholder or person, and indicating whether such Unitholder or person intends to support or oppose the Final Application or make submissions thereat, together with any evidence or materials which are to be presented to this Court, such Notice of Intent to Appear to be effected by delivery at the address set forth below:

Bennett Jones LLP  
4500 Bankers Hall East  
855 – 2<sup>nd</sup> Street SW  
Calgary, Alberta T2P 4K7  
Attention: Laurie A. Goldbach

17. In the event that the Final Application is adjourned, only those persons who have filed and served a Notice of Intent to Appear shall be served with the notice of the adjourned date.

18. Service of notice of this application on any person is hereby dispensed with.

19. The Applicants are entitled at any time to seek leave to vary this Interim Order upon such terms and the giving of such notice as this Court may direct.

*"B.E.C. Romaine"*

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J.C.Q.B.A.

## APPENDIX "C"

### ARRANGEMENT RESOLUTION

#### "BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement under section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**") substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Schedule One to Appendix "A" to the information circular of NAL Oil & Gas Trust (the "**Trust**") dated November 12, 2010 (the "**Circular**") and all transactions contemplated thereby, be and are hereby authorized and approved.
2. The arrangement agreement ("**Arrangement Agreement**") made as of November 10, 2010, among the Trust, NAL Ventures Trust, Addison Energy Limited Partnership, NAL GP Ltd., NAL Energy Inc. ("**NAL Energy**"), NAL Properties Inc., NAL Petroleum (ACE) Ltd., 1331899 Alberta ULC and NAL Energy Corporation ("**New NAL**"), a copy of which is attached as Appendix "A" to the Circular, together with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 5 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby confirmed, ratified and approved.
3. NAL Energy, as agent for the Trust, be and is hereby authorized to apply for a final order from the Court of Queen's Bench of Alberta to approve the Arrangement on the terms set forth in the Arrangement Agreement and the Plan of Arrangement, as they may be amended, modified or supplemented and as described in the Circular.
4. Notwithstanding that this resolution has been duly passed or that the Arrangement has received the approval of the Court of Queen's Bench of Alberta, any director or officer of NAL Energy, as agent for the Trust, is hereby authorized, and empowered to, without further notice to or approval of the unitholders of the Trust, amend, modify, supplement or terminate the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement and, subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement and related transactions and to revoke this resolution at any time prior to the filing of the Articles of Arrangement giving effect to the Arrangement.
5. Any one director or officer of NAL Energy is hereby authorized, for and on behalf of the Trust, NAL Energy and New NAL, to execute and deliver Articles of Arrangement and to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of such director or officer may be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action."

## APPENDIX "D"

### INFORMATION CONCERNING NAL ENERGY CORPORATION

#### NOTICE TO READER

As at the date hereof, New NAL has not carried on any active business other than the issuance of 100 Common Shares to the Trust and executing the Arrangement Agreement. Unless otherwise noted, the disclosure in this Appendix has been prepared assuming that the Arrangement has been completed. New NAL will be the publicly listed corporation resulting from the reorganization of the Trust's income trust structure into a corporate structure pursuant to the Arrangement. Unless otherwise defined herein, all capitalized words and phrases used in this Appendix have the meaning given to such words and phrases in the "Glossary of Terms" or elsewhere in this Circular.

#### FORWARD-LOOKING STATEMENTS

This Appendix contains forward-looking statements. All statements other than statements of historical fact contained in this Appendix are forward-looking statements. The forward-looking statements contained in this Appendix are expressly qualified in their entirety by the cautionary statements set forth in the body of this Circular under the heading "Management Information Circular – Forward-Looking Statements" and the documents incorporated by reference herein. The forward-looking statements included in this Appendix are made as of the date of this Circular and New NAL undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

#### CORPORATE STRUCTURE

##### Name, Incorporation and Address

New NAL was incorporated on November 1, 2010 pursuant to the ABCA for the sole purpose of participating in the Arrangement. The registered office of New NAL and its principal place of business is 1000, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2.

##### Intercorporate Relationships

The following table provides the name, the percentage of voting securities to be owned, directly or indirectly, by New NAL and the jurisdiction of incorporation, continuance or formation of New NAL's Subsidiaries immediately after the Second Effective Date.

	Percentage of voting securities (directly or indirectly)	Nature of Entity	Jurisdiction of Incorporation, Continuance or Formation (as applicable)
NAL Petroleum (ACE) Ltd. ....	100% (Directly)	Corporation	Alberta
NAL Properties Inc. ....	100% (Directly)	Corporation	Alberta
Addison Energy Limited Partnership .....	100% (Directly and Indirectly)	Limited Partnership	Alberta

See "The Arrangement – Details of the Arrangement – Current Organizational Structure" in this Circular for the current intercorporate relationships among the Trust and its Subsidiaries. See "The Arrangement – Details of the Arrangement – Post-Arrangement Structure" in this Circular for intercorporate relationships among New NAL and its Subsidiaries immediately following completion of the Arrangement.

## GENERAL DEVELOPMENT OF THE BUSINESS

New NAL has not carried on any active business since its incorporation other than the issuance of 100 Common Shares to the Trust and executing the Arrangement Agreement. If approved, the Arrangement will result in the reorganization of the Trust's income trust structure into a corporate structure. Immediately following completion of the Arrangement, the former Unitholders will become shareholders of New NAL. For a detailed description of the historical development of the business of the Trust, see "*General Development of NAL Oil & Gas Trust*" in the Annual Information Form. For a description of the business to be carried on by New NAL following completion of the Arrangement, see "*Description of the Business*" in this Appendix.

As part of the Arrangement, each outstanding Trust Unit will be transferred to New NAL in exchange for one Common Share. Upon completion of the Arrangement, Unitholders will hold all of the issued and outstanding Common Shares of New NAL.

Upon completion of the Arrangement, New NAL will become a reporting issuer in each of the provinces of Canada and be subject to the informational reporting requirements under the securities laws of such jurisdictions as a result of the Arrangement.

The TSX has conditionally approved the substitutional listing of (i) the Common Shares issuable by New NAL pursuant to the Arrangement in substitution for the issued and outstanding Trust Units, (ii) the New NAL Debentures, (iii) the Common Shares issuable upon the conversion, redemption or maturity of the New NAL Debentures, (iv) the Common Shares to be reserved and authorized for issuance under the Amended DRIP, and (v) the Common Shares to be reserved and authorized for issuance under the New NAL DSU Plan subject to New NAL fulfilling the requirements of the TSX. The TSX listing requirements are expected to be met on or before the Second Effective Date or as soon as reasonably practicable thereafter.

## DESCRIPTION OF THE BUSINESS

Upon completion of the Arrangement, New NAL will, directly or indirectly, carry on the business currently carried on by the Trust and its Subsidiaries. For a detailed description of the Trust's business, which will continue to be carried on by New NAL if the Arrangement is completed, see "*General Development of NAL Oil & Gas Trust*" and "*Principal Properties*" in the Annual Information Form.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As at the date of this Circular, New NAL has not conducted any business or operations, other than the issuance of 100 Common Shares to the Trust in connection with its organization and executing the Arrangement Agreement.

If the Arrangement is completed, the business of the Trust will continue to be carried on as before the Effective Dates. New NAL's financial position, risks and outlook after the Arrangement is completed will be substantially the same as those outlined in the MD&A and the Annual Information Form incorporated by reference in this Circular. Since the Arrangement does not contemplate a change of control for accounting purposes, the financial statements of the Trust and, upon the completion of the Arrangement, New NAL will reflect the assets and liabilities of the Trust at the respective carrying amounts.

Readers are encouraged to review the MD&A, which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and which is incorporated by reference in this Circular. See "*Risk Factors*" in this Appendix.

## DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of New NAL consists of an unlimited number of common shares and preferred shares, issuable in series, limited in number to an amount equal to not more than one-half of the Common Shares issued and outstanding at the time of issuance of such preferred shares. The following is a summary of the rights,

privileges, restrictions and conditions attaching to the securities of New NAL which will, upon completion of the Arrangement, comprise the share capital of New NAL.

As at the date hereof, there are 100 Common Shares and no preferred shares outstanding. Assuming that the same number of Trust Units are outstanding on the Initial Effective Date as were outstanding on November 12, 2010, upon the completion of the Arrangement, an aggregate of 146,837,847 Common Shares will be issued and outstanding.

### **Common Shares**

Each Common Share entitles the holder to one vote at all meetings of shareholders of New NAL, except meetings at which only holders of a specified class of shares are entitled to vote. Subject to the prior rights and privileges attaching to any other class of shares of New NAL, holders of Common Shares have the right to receive any dividend declared by the Board of Directors of New NAL on the Common Shares and the right to receive the remaining property and assets of New NAL upon dissolution.

### **Preferred Shares**

The preferred shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by the Board of Directors of New NAL, provided that the number of preferred shares of all series shall be limited in number to an amount equal to not more than one-half of the Common Shares issued and outstanding at the time of issuance of such preferred shares. Subject to the provisions of the ABCA, the Board of Directors of New NAL may fix from time to time, before the issue thereof, the designation, rights, privileges, restrictions and conditions attaching to each series of the preferred shares.

## **PRO FORMA CONSOLIDATED CAPITALIZATION**

As of the date of this Circular, New NAL has issued 100 Common Shares to the Trust for an aggregate subscription price of \$100. See the Audited Balance Sheet of New NAL attached as Schedule "A" to this Appendix "D". Upon completion of Arrangement, the consolidated capitalization of New NAL will be substantially as set forth in the unaudited Pro Forma Consolidated Balance Sheet of New NAL attached as Appendix "E" to this Circular. See the audited consolidated financial statements of the Trust as at and for the year ended December 31, 2009 together with the MD&A, both of which are incorporated by reference in this Circular, as well as "*The Arrangement – Effect of the Arrangement on Unitholders*" and "*The Arrangement – Effect of the Arrangement on Outstanding Debt*" in the body of this Circular.

## **DIVIDEND RECORD AND POLICY**

### **General**

New NAL has not declared or paid any dividends since its incorporation and will not declare any dividends prior to completion of the Arrangement.

Following the completion of the Arrangement, New NAL currently anticipates declaring cash dividends on a monthly basis to Shareholders of record on the 22nd day of the applicable month, provided that if the 22nd day is not a Business Day, then the record date for such dividend payment will be the immediately following Business Day, and paying such dividends on the 15th day of the month immediately following, provided that if the 15th day is not a Business Day, then such payment will be made on the immediately following Business Day. Furthermore, it is currently anticipated that each monthly dividend will be in the amount of \$0.07 per Common Share, a reduction from the current monthly cash distribution of \$0.09 per Trust Unit, such dividend payment representing an annual dividend of \$0.84 per Common Share, the first of which is anticipated to be paid on February 15, 2011 to Shareholders of record on January 24, 2011. New NAL expects to designate any dividends paid as "eligible dividends" for Canadian federal income tax purposes, which are anticipated to qualify for the enhanced federal

dividend tax credit in Canada. However, no assurance can be given that dividends will be designated as "eligible dividends".

The new dividend levels take into account commodity prices and allow for internally generated cash flow to support New NAL's organic development program and provide sustainable monthly dividends to Shareholders while maintaining financial flexibility. The Board of Directors will continue to assess dividend levels, taking into consideration commodity prices, internal capital reinvestment opportunities, the forecast cash flow of New NAL, financial market conditions, the availability of financing and taxability.

**Notwithstanding the foregoing, the amount and timing of any dividends payable by New NAL will be at the discretion of the Board of Directors of New NAL from time to time. The amount may vary depending on, among other things, New NAL's earnings, financial requirements for New NAL's operations, the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends and other conditions existing from time to time. In addition, the Board of Directors may alter the timing for the declaration and payment of dividends from monthly to quarterly or other periods of frequency. No assurance can be given that New NAL will continue to pay dividends in the future.**

### **Restrictions on Dividends**

The ability of New NAL to pay cash dividends to Shareholders may be directly affected in certain events and as a result of certain restrictions. These events and restrictions are similar to those affecting the Trust's ability to make cash distributions to Unitholders. See "*Trust Indenture – Distributions*" in the Annual Information Form, which is incorporated by reference in this Circular. In addition, the ABCA provides that a corporation shall not declare or pay a dividend if there are reasonable grounds for believing that (i) the corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes.

### **PRIOR SALES**

Prior to the Effective Dates, New NAL has not and will not issue any securities other than the 100 Common Shares currently held by the Trust. Pursuant to the Arrangement, Unitholders will receive one Common Share for each Trust Unit exchanged.

### **PRINCIPAL SHAREHOLDERS**

As of the date hereof, the Trust is the sole shareholder of New NAL, holding 100 Common Shares. To the knowledge of the Board of Directors, no person or company will, following the Arrangement, beneficially own, control or direct, directly or indirectly, more than 10% of the voting rights attached to the outstanding Common Shares, other than CDS & Co.

### **DIRECTORS AND EXECUTIVE OFFICERS**

Following the completion of the Arrangement, it is anticipated that the Board of Directors and executive officers of New NAL will be comprised initially of all of the current members of the Board of Directors and executive officers of NAL Energy and the Manager will continue as the manager of New NAL under the New Administrative Services Agreement. See "*NAL Resources Management Limited*" and "*Directors and Officers*" in the Annual Information Form.

Following completion of the Arrangement, the Board of Directors of New NAL is expected to have three committees: (i) an Audit Committee; (ii) a Reserves Committee; and (iii) a Corporate Governance and Environment, Health and Safety Committee. Each of such committees will be comprised of the same individuals serving as members of the Audit Committee, the Reserve Committee and the Corporate Governance and Environment, Health and Safety Committee of NAL Energy.

## **COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

To date, New NAL has not carried on any active business and has not completed a fiscal year of operations. No compensation has been paid by New NAL to its Directors or executive officers. Following the completion of the Arrangement, the Directors and executive officers of New NAL will be reimbursed for expenses in a similar manner as the directors and executive officers of NAL Energy and the Manager will continue to be compensated pursuant to the New Administrative Services Agreement.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

There exists no indebtedness of the directors or executive officers of New NAL or the Manager, or any of their associates to New NAL, nor is any indebtedness of any of such persons to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by New NAL.

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of New NAL, no directors or executive officers of New NAL: (a) are, as at the date of this Circular, or have been, within the 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (an "**Order**") that was issued while the proposed nominee was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the proposed nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; (b) are, as at the date of this Circular, or have been within 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of the insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (c) have, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed nominee, except as set forth below.

Andrew B. Wiswell, President and Chief Executive Officer and a director of NAL Energy and the Manager, was an executive of Netpulse Media Networks and its Subsidiary, E-Zone Networks Inc. ("**E-Zone**"), both United States private companies, from July 2000 until February 6, 2001. On February 6, 2001, both companies filed a voluntary petition into bankruptcy. Mr. Wiswell was also an executive officer of E-Zone's Canadian private Subsidiary, E-55-Zone Networks Canada Inc. ("**E-Zone Canada**") from July 2000 until February 2, 2001. On February 2, 2001, E-Zone Canada made an assignment into bankruptcy.

William J. Eeuwes was a director of a private company, Micro-Optics Development Corp. until April 2003. Within a year after his resignation as a director, that company was subject to a court appointed trustee and filed for court protection under insolvency statutes.

## **CONFLICTS OF INTEREST**

Except as disclosed in this Circular, including in this Appendix, no Director or executive officer of New NAL or other insider of New NAL, nor any associate or affiliate of the foregoing persons, has any existing or potential material conflict of interest with New NAL or any of its Subsidiaries.

## **RISK FACTORS**

Risk factors related to the business of the Trust will generally continue to apply to New NAL after the Effective Dates and will not be affected by the Arrangement. In the event the Arrangement is completed, the business and operations of, and an investment in, New NAL will be subject to various risk factors set forth under the

headings entitled "*Risk Factors*" in this Circular and "*Risk Factors*" in the Annual Information Form, which is incorporated by reference in this Circular. Potential Shareholders should consider carefully the information contained herein and in the materials incorporated by reference in this Circular.

### **LEGAL PROCEEDINGS**

Other than the proceedings relating to the approval of the Arrangement, there are no legal proceedings to which New NAL is a party or in respect of which any of its assets are the subject matter, which is material to New NAL and New NAL is not aware of any such proceedings that are contemplated.

### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed herein or in this Circular, none of the directors or senior officers of New NAL, any Unitholder that beneficially, owns, controls or directs, directly or indirectly, more than 10 percent of the outstanding Trust Units or any associate or affiliate of such persons, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or in any proposed transaction that has materially affected or is reasonably expected to materially affect New NAL or any of its Subsidiaries.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

#### **Auditors**

The proposed auditors of New NAL are KPMG LLP, Chartered Accountants, Calgary, Alberta.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for the Common Shares and the New NAL Debentures is expected to be Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

### **MATERIAL CONTRACTS**

The only contracts entered into by New NAL that materially affect New NAL, since incorporation or to which New NAL will become a party on or prior to the Effective Dates, that can reasonably be regarded as material to a proposed investor in the Common Shares, other than contracts entered into in the ordinary course of business, are the Credit Facility, the New Administrative Services Agreement, the Amended Note Indenture and the Arrangement Agreement. A copy of the Arrangement Agreement is attached at Appendix "A" to this Circular. See "*The Arrangement – Administrative Services and Cost Sharing Agreement*", "*The Arrangement – Effect of the Arrangement on Outstanding Debt – Credit Facilities*" and "*The Arrangement – Effect of the Arrangement on Outstanding Debt – Debentures*" in the body of this Circular.

**SCHEDULE "A"**

**AUDITED BALANCE SHEET OF NAL ENERGY CORPORATION**

**AUDITORS' REPORT**

To the Board of Directors of NAL Energy Corporation

We have audited the balance sheet of NAL Energy Corporation (the "**Corporation**") as at November 12, 2010. This balance sheet is the responsibility of the Corporation's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Corporation as at November 12, 2010 in accordance with Canadian generally accepted accounting principles.

(Signed) "*KPMG LLP*"  
Chartered Accountants

Calgary, Canada  
November 12, 2010

**NAL ENERGY CORPORATION**

**BALANCE SHEET**

As at November 12, 2010

Assets:

Cash..... \$100

Shareholders' equity:

Common Shares (note 2)..... \$100

Subsequent Event (note 3)

See accompanying notes to the balance sheet.

*On behalf of the Board of Directors:*

(signed) "*Andrew B. Wiswell*"  
Director

(signed) "*Kel B. Johnston*"  
Director

# NAL ENERGY CORPORATION

## Notes to the Balance Sheet

As at November 12, 2010

### 1. Incorporation and basis of presentation:

NAL Energy Corporation (the "**Corporation**") was incorporated pursuant to the *Business Corporations Act* (Alberta) on November 1, 2010 for the sole purpose of participating in the reorganization of NAL Oil & Gas Trust (the "**Trust**") into a corporate entity. The Corporation has not carried on any active business or conducted operations since incorporation other than with respect to the reorganization. This financial statement has been prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**").

### 2. Share Capital:

Authorized:

An unlimited number of voting common shares.

An unlimited number of preferred shares, issuable in series and limited in number to an amount equal to or less than not more than one half of the then issued and outstanding common shares at the time of such issuance.

Issued:

	Number of shares	Amount
Common shares:		
Issued on incorporation for cash	100	\$100
Balance as at November 12, 2010	100	\$100

### 3. Subsequent event:

Through a series of transactions involving the Trust, the Corporation, certain of the Trust's subsidiaries and the holders of trust units of the Trust, the Trust anticipates converting into a publicly listed oil and gas exploration and production company. Holders of Trust Units of the Trust will receive one common share of the Corporation for each unit held. The transactions are subject to satisfying various conditions including regulatory, judicial and security holder approvals and is currently scheduled to be completed on or about December 31, 2010.

NAL Energy Corporation will, directly or indirectly, own all of the assets and assume all of the liabilities of the Trust and its subsidiaries.

## APPENDIX "E"

### PRO FORMA FINANCIAL STATEMENTS OF NAL ENERGY CORPORATION

#### NAL ENERGY CORPORATION

#### PRO FORMA CONSOLIDATED BALANCE SHEET

As at September 30, 2010

(thousands of dollars) (unaudited)

	NAL Oil & Gas Trust	Pro forma Adjustments	Notes	Pro forma NAL Energy Corporation
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$38	\$-		\$38
Accounts receivable	45,573	-		45,573
Prepays and other receivables	4,157	-		4,157
Derivative contracts	10,621	-		10,621
	60,389	-		60,389
Future income tax asset	6,461	-		6,461
Goodwill	14,722	-		14,722
Property, plant and equipment	1,525,464	-		1,525,464
	\$1,607,036	-		\$1,607,036
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$95,061	1,000	2 (ii)	\$96,061
Note payable	7,953	-		7,953
Distributions payable to unitholders	13,196	-		13,196
Future income tax liability	707	-		707
	116,917	1,000		117,917
Bank debt	235,016	-		235,016
Convertible debentures	180,649	-		180,649
Derivative contracts	252	-		252
Other liabilities	7,046	-		7,046
Asset retirement obligations	135,820	-		135,820
Non-controlling interest	2,677	-		2,677
	678,377	1,000		679,377
<b>Unitholders'/Shareholders' equity</b>				
Unitholders' capital	1,595,957	(1,595,957)	2 (i)	-
Common stock	-	1,595,957	2 (i)	-
		(680,926)	2 (iii)	915,031
Equity component of convertible debentures	12,628	-		12,628
Deficit	(679,926)	(1,000)	2 (ii)	-
		680,926	2 (iii)	
	928,659	(1,000)		927,659
	\$1,607,036			\$1,607,036

See accompanying notes to the pro forma consolidated financial statements.

**NAL ENERGY CORPORATION**  
**PRO FORMA CONSOLIDATED STATEMENT OF INCOME**

For the nine month period ended September 30, 2010  
(thousands of dollars, except per unit amounts) (unaudited)

	NAL Oil & Gas Trust	Pro forma Adjustments	Notes	Pro forma NAL Energy Corporation
<b>Revenue</b>				
Oil, natural gas and liquid sales	\$379,045	\$-		\$379,045
Crown royalties	(50,371)	-		(50,371)
Freehold and other royalties	(17,867)	-		(17,867)
	310,807	-		310,807
Gain on derivative contracts:				
Realized gain	18,042	-		18,042
Unrealized gain	12,854	-		12,854
	30,896	-		30,896
Other income	541	-		541
	342,244	-		342,244
<b>Expenses</b>				
Operating	90,654	-		90,654
Transportation	4,896	-		4,896
General and administrative	11,920	-		11,920
Unit-based incentive compensation	1,094	-		1,094
Corporate conversion costs	160	-		160
Interest on bank debt	8,587	-		8,587
Interest and accretion on convertible debentures	12,411	-		12,411
Depletion, depreciation and amortization	192,161	-		192,161
Accretion on asset retirement obligations	8,034	-		8,034
	329,917	-		329,917
Income before taxes and non-controlling interest	12,327	-		12,327
Income tax recovery (expense)	(4)	-		(4)
Future income tax reduction (expense)	25,925	(29,019)	3 (i)	(3,094)
Total income tax reduction (expense)	25,921	(29,019)		(3,098)
Income before non-controlling interest	38,248	(29,019)		9,229
Non-controlling interest	(1,634)	-		(1,634)
Net income	\$36,614	(29,019)		\$7,595
Net income per share (note 5)				
Basic				\$0.05
Diluted				\$0.05

See accompanying notes to the pro forma consolidated financial statements.

**NAL ENERGY CORPORATION**  
**PRO FORMA CONSOLIDATED STATEMENT OF INCOME (LOSS)**

For the Year ended December 31, 2009

(thousands of dollars, except per unit amounts) (unaudited)

	NAL Oil & Gas Trust	Pro forma Adjustments	Notes	Pro forma NAL Energy Corporation
<b>Revenue</b>				
Oil, natural gas and liquid sales	\$365,760	\$-		\$365,760
Crown royalties	(44,684)	-		(44,684)
Freehold and other royalties	(21,214)	-		(21,214)
	299,862	-		299,862
Gain (loss) on derivative contracts				
Realized gain	79,671	-		79,671
Unrealized loss	(68,299)	-		(68,299)
	11,372	-		11,372
Other income	1,632	-		1,632
	312,866	-		312,866
<b>Expenses</b>				
Operating	97,240	-		97,240
Transportation	4,673	-		4,673
General and administrative	16,171	-		16,171
Unit-based incentive compensation	8,781	-		8,781
Interest on bank debt	10,399	-		10,399
Interest and accretion on convertible debentures	7,676	-		7,676
Bad debt expense (recovery)	(296)	-		(296)
Depletion, depreciation and amortization	182,979	-		182,979
Accretion on asset retirement obligations	7,856	-		7,856
	335,479	-		335,479
Loss before taxes and non-controlling interest	(22,613)	-		(22,613)
Income tax recovery	2	-		2
Future income tax reduction (expense)	34,770	(30,038)	4 (i)	4,732
Total income tax reduction (expense)	34,772	(30,038)		4,734
Income (loss) before non-controlling interest	12,159	(30,038)		(17,879)
Non-controlling interest	(2,959)	-		(2,959)
Net income (loss)	\$9,200	(30,038)		\$(20,838)
<b>Net loss per share (note 5)</b>				
Basic				\$(0.19)
Diluted				\$(0.19)

See accompanying notes to the pro forma consolidated financial statements.

## **NAL ENERGY CORPORATION**

### **NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the nine months ended September 30, 2010 and for the year ended December 31, 2009

*(unaudited)*

#### **1. Basis of Presentation**

On October 20, 2010 NAL Oil and Gas Trust (the "Trust") announced its plan to convert the Trust into a corporate entity to be named NAL Energy Corporation (the "Corporation") to carry on the same business as previously conducted by the Trust (the "Arrangement"). Unitholders of the Trust will exchange one trust unit of the Trust and receive one common share of the Corporation which will hold the assets previously held directly or indirectly by the Trust.

The accompanying unaudited pro form consolidated balance sheet of the Corporation as at September 30, 2010 and the unaudited pro forma consolidated statements of income (loss) for the year ended December 31, 2009 and for the nine months ended September 30, 2010 (collectively the "pro forma financial statements") have been prepared by management of the Trust in accordance with Canadian generally accepted accounting principles.

The unaudited pro forma consolidated balance sheet gives effect to the transactions as described in Note 2 as if they had occurred on September 30, 2010, while the pro forma consolidated statements of income (loss) gives effect to those transactions as if they occurred January 1, 2009 for the year ended December 31, 2009 and for the nine months ended September 30, 2010 as described in Notes 3 and 4. The pro forma financial statements should be read in conjunction with the Trust's 2009 consolidated financial statements and the September 30, 2010 interim consolidated financial statements.

The pro forma financial statements may not be indicative of the results that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results which may be obtained in the future.

#### **2. Pro forma consolidated balance sheet as at September 30, 2010 assumptions and adjustments:**

The pro forma consolidated balance sheet gives effect to the following transaction and adjustments as if they occurred on September 30, 2010:

- i) Completion of the proposed Arrangement whereby the unitholders of the Trust receive an equal number of common shares of the Corporation.
- ii) Costs incurred in connection with the Arrangement, including legal, advisory and other costs and fees of \$1 million have been included in accounts payable and accrued liabilities.
- iii) As part of the Arrangement, the pro forma consolidated deficit of the Corporation of \$680.9 million has been offset against common stock.

#### **3. Pro forma consolidated statement of income for the nine months ended September 30, 2010 assumptions and adjustments:**

The pro forma consolidated statement of income for the nine months ended September 30, 2010 gives effect to the Arrangement and adjustments referred to in Note 2 effective January 1, 2009 as well as the following:

- i) The Arrangement effectively results in the income tax burden on earnings from the Trust and its subsidiaries being transferred from the Unitholders to the Corporation. As a result of the above the future income tax provision has been increased by \$29.0 million.

**4. Pro forma consolidated statement of income (loss) for the year end December 31, 2009 assumptions and adjustments:**

The pro forma consolidated statement of operations for the year ended December 31, 2009 gives effect to the Arrangement and adjustments referred to in Note 2 effective January 1, 2009 as well as the following:

- i) The Arrangement effectively results in the income tax burden on earnings from the Trust and its subsidiaries being transferred from the Unitholders to the Corporation. As a result of the above the future income tax provision has been increased by \$30.0 million.

**5. Net income (loss) per share:**

The pro forma net income (loss) per share has been calculated based on the weighted average number of trust units/shares for the nine months ended September 30, 2010 of 142,890,000 and for the year ended December 31, 2009 of 107,157,000. The convertible debentures continue to be anti-dilutive.