



NAL Energy Corporation
Audit and Risk Management Committee Charter
Effective December 31, 2010

NAL Energy Corporation

Audit and Risk Management Committee Charter

General

The board of directors (the "**Board of Directors**") of NAL Energy Corporation (the "**Corporation**") has established, an Audit and Risk Management Committee (the "**Committee**"). The primary role of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding the following:

1. the accuracy and completeness of the Corporation's consolidated financial statements and related management discussion and analysis ("**MD&A**");
2. the internal control and financial reporting systems of the Corporation and its direct and indirect subsidiary entities (the "**NAL Group**");
3. the selection (subject to approval by the shareholders of the Corporation (the "**Shareholders**")), engagement and monitoring of the activities of the Corporation's external auditor;
4. the NAL Group's risk management strategy;
5. the NAL Group's compliance with legal and regulatory requirements; and
6. any additional duties set out in this mandate or otherwise delegated to the Committee by the Board of Directors.

While the Committee has the responsibilities and powers set forth in this Charter, the role of the Committee is oversight. It is not the duty of the Committee to plan or conduct audits or to determine that the NAL Group's financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles ("**GAAP**") or International Financial Reporting Standards ("**IFRS**") as applicable and as the case may be. These are the responsibility of the NAL Resources Management Limited (the "**Manager**") and the Corporation's external auditor.

Composition and Operation

The Board of Directors will in each year appoint a minimum of three (3) directors ("**Directors**") as members of the Committee. All members of the Committee shall be "independent" Directors as such term is defined in National Instrument 52-110 – *Audit Committees*, such that each member of the Committee shall have no direct or indirect relationship with the NAL Group or the Manager that could, in the view of the Board of Directors, reasonably interfere with the exercise of his or her independent judgment.

The Board of Directors will in each year appoint a chairman of the Committee (the "**Committee Chair**"). In the Committee Chair's absence, or if the position is vacant, the Committee may

select another member as Committee Chair. The Committee Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members of the Committee as appropriate prior to the exercise of any powers and will, in any event, advise all other members of the Committee of any decisions made or powers exercised.

All members of the Committee shall be financially literate. While the Board of Directors shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the NAL Group's financial statements.

Directors who are not members of the Committee may attend all or any part of meetings of the Committee, but shall not be entitled to vote on any questions before the Committee. Other than members of the Board of Directors, entitlement to attend all or any portion of any Committee meeting shall be determined by the Committee Chair or by the members of the Committee.

Mandate

The Committee's duties and responsibilities include, but are not limited to, the following.

Financial Reporting and Disclosure

In connection with the financial reporting and disclosure obligations of the NAL Group, the Committee will:

1. review the audited annual financial statements of the NAL Group as prepared by the Manager in conjunction with the external auditors, the related MD&A and the associated press releases for submission to the Board of Directors for approval;
2. review the unaudited quarterly financial statements of the NAL Group as prepared by the Manager, the related MD&A and the associated press releases for submission to the Board of Directors for approval;
3. review with the Manager and the external auditor, significant accounting practices employed by the NAL Group and disclosure issues, including complex or unusual transactions, judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under GAAP or IFRS, as the case may be, for material transactions, with a view to gaining reasonable assurance that the accounting policies and critical accounting estimates are appropriate and that the financial statements are accurate within reasonable levels of materiality, complete, do not contain any misrepresentations and present fairly the NAL Group's financial position and results of operations in accordance with GAAP or IFRS, as the case may be;
4. review and assess any new or proposed developments in accounting and reporting standards that may affect or have an impact on the Corporation;

5. confirm through discussions with the Manager and the external auditor that GAAP or IFRS, as the case may be, and all applicable laws or regulations related to financial reporting and disclosure have been complied with;
6. review any unresolved significant issues between the Manager and the external auditor that could affect the financial reporting or internal controls of the NAL Group;
7. review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future affect on the Corporation's financial statements, and the manner in which these have been disclosed in the financial statements;
8. discuss with the Manager the effect of any off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future affect on the Corporation's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;
9. review and discuss with the Chief Executive Officer and Chief Financial Officer of the Corporation the procedures undertaken in connection with the Chief Executive Officer and Chief Financial Officer certifications for the annual and/or quarterly filings with applicable securities regulatory authorities;
10. review disclosures made by the Chief Executive Officer and Chief Financial Officer to the Corporation during their certification process for annual and/or quarterly financial statements with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which adversely affect the Corporation's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees of the NAL Group or the Manager who have a significant role in the NAL Group's internal controls; and
11. review or satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted from the Corporation's financial statements and periodically assess the adequacy of those procedures.

Oversight of Internal Controls

The Committee will:

1. monitor the quality and integrity of the NAL Group's system of internal control, disclosure controls and management information systems through discussions with the Manager and the external auditor;
2. oversee the system of internal control, by:
 - (a) consulting with the external auditor regarding the effectiveness of the NAL Group's internal controls;

- (b) monitoring policies and procedures for internal accounting, financial control and management information, electronic data control and computer security;
 - (c) obtaining from the Manager adequate assurances that all statutory payments and withholdings have been made; and
 - (d) taking other actions as considered necessary;
3. oversee investigations of alleged fraud and illegality relating to the NAL Group's finances and any resulting actions; and
 4. establish procedures for the receipt, retention and treatment of complaints received by the NAL Group regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of the Corporation and/or the Manager of concerns regarding questionable accounting or auditing matters and for the protection from retaliation of those who report such complaints in good faith.

Monitor the Internal Audit Function

The Committee will:

1. regularly monitor the responsibilities, performance and effectiveness of the internal audit function for the NAL Group; and
2. review annually the Manager's internal audit plan for the NAL Group.

External Auditor Appointment and Removal

The Committee will:

1. recommend the appointment or replacement of the external auditor to the Board of Directors, who will consider the recommendation prior to submitting the nomination to the Shareholders for their approval;
2. review management's plans for an orderly transition to a new external auditor, if required;
3. pre-approve, in accordance with applicable law, any non-audit services to be provided to the Corporation by the external auditor, with reference to compatibility of the service with the external auditor's independence and, where appropriate, delegate to one or more members of the Committee the authority to grant pre-approvals of non-audit services with the members of the Committee being informed of any such pre-approvals at the next regularly scheduled meeting of the Committee; and
4. review and approve the NAL Group's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.

External Auditor Liaison

The external auditor will report directly to the Committee and will be accountable to the Committee and the Board of Directors, as representatives of the Shareholders.

In its role as liaison with the external auditor the Committee will:

1. resolve any disagreements between management and the external auditor regarding financial reporting;
2. review all material written communications between the external auditor and the NAL Group, including any post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up on identified weaknesses; and
3. meet with the external auditor independently from the Manager and without management of the Manager present at least annually to discuss and review specific issues and any significant matters that the auditor may wish to bring to the Committee for its consideration.

External Auditor Review

The Committee will:

1. review with the Manager, and make recommendations to the Board of Directors, regarding the compensation of the external auditor. In making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the NAL Group, and the extent of other support provided by the NAL Group and the Manager to the external auditor;
2. review with the Manager the terms of the external auditor's engagement, accountability, experience, qualifications and performance;
3. evaluate the performance of the external auditor;
4. review the audit plan and scope of the external audit with the external auditor and management, and consider the nature and scope of the planned audit procedures;
5. discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditor, and any actions or inactions by the Manager that limited or restricted the scope of their work;
6. review, independently from the Manager and without representatives of the Manager present, the results of the annual external audit, the audit report thereon and the auditor's review of the related MD&A, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial

information that have been discussed with the Manager, the ramifications of their use and the auditor's preferred treatment, and any other material communications with the Manager;

7. engage the external auditor to review all interim financial statements and review the results of the auditor's review of the interim financial statements and the auditor's review of the related MD&A independently of and without representatives of the Manager present;
8. review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards or that relate to the external auditor;
9. review with the Manager and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the NAL Group's financial statements or accounting policies; and
10. at least annually, and before the external auditor issues its report on the annual financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the NAL Group, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Corporation, and consider whether it is appropriate to recommend to the Board of Directors a policy of rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.

Risk Management

The Committee will:

1. review and assess the adequacy of the NAL Group's risk management policies and procedures with respect to the NAL Group's principal business risks;
2. review with management, at least annually, the NAL Group's major risk exposures and the steps taken by the Manager to monitor and control such exposures;
3. review and monitor the results of the Manager's commodity price, financial and credit exposure management activities including oil and natural gas, foreign currency and interest rate hedging activities and the use of derivative instruments;
4. review and assess the adequacy of the implementation of appropriate systems to mitigate and manage the risks, and report regularly to the Board of Directors; and
5. review the NAL Group's insurance program.

Regulatory Compliance

The Committee will review with the Manager the Corporation's relationship with regulators and the timeliness and accuracy of the NAL Group's filings with regulatory authorities.

Related Party Transactions

The Committee will review with the Manager all related party transactions and the development of policies and procedures related to those transactions.

Complaint Procedures

The Committee will establish and review procedures relating to the receipt, retention and treatment of complaints received by the NAL Group respecting accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Corporation or the Manager of concerns regarding questionable accounting or auditing matters.

Board of Directors Relationship and Reporting

The Committee will:

1. review and assess the adequacy of the Committee mandate annually and submit such amendments as the Committee proposes to the Corporate Governance and Environment, Health and Safety Committee of the Board of Directors;
2. oversee appropriate disclosure of the Committee mandate, and other information required to be disclosed by applicable securities laws, in the Corporation's annual information form and all other applicable disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from Shareholders; and
3. report regularly to the Board of Directors on Committee activities, issues and related recommendations.

Administrative Matters

The following general provisions shall have application to the Committee:

1. A quorum of the Committee shall be the attendance of two (2) members thereof. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee.
2. Any member of the Committee may be removed or replaced at any time by resolution of the Board of Directors. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to

the foregoing, each member of the Committee shall hold such office until the close of the annual meeting of Shareholders next following the date of appointment as a member of the Committee or until a successor is duly appointed.

3. The Committee may invite such officers, directors and employees of the NAL Group or the Manager as it may see fit from time to time to attend at meetings of the Committee and to assist thereat in the discussion of matters being considered by the Committee. The external auditor is to appear before the Committee when requested to do so by the Committee.
4. The time and place for the Committee meetings, the calling and the procedure at such meetings shall be determined by the Committee having regard to the by-laws of the Corporation.
5. The Committee shall meet a minimum of four (4) times a year.
6. The Committee Chair shall preside at all meetings of the Committee. In the absence of the Committee Chair, the other members of the Committee shall appoint a representative amongst them to act as Committee Chair for that particular meeting.
7. Notice of meetings of the Committee may be given to the external auditor and shall be given in respect of meetings relating to the annual audited financial statements. The external auditor has the right to appear before and to be heard at any meeting of the Committee. Upon the request of the external auditor, the Committee Chair shall convene a meeting of the Committee to consider any matters which the external auditor believes should be brought to the attention of the Directors or Shareholders of the Corporation.
8. The Committee shall report to the Board of Directors on such matters and questions relating to the financial position of the NAL Group as the Board of Directors may from time to time refer to the Committee.
9. The members of the Committee shall, for the purpose of performing their duties, have the right to inspect all the books and records of the NAL Group, and to discuss such books and records that are in any way related to the financial position of the NAL Group with the officers and employees of the NAL Group and the Manager and the external auditor of the NAL Group.
10. The Committee shall meet, in separate, non-management, in camera sessions at each regularly scheduled meeting.
11. Minutes of the Committee meetings shall be recorded and maintained. The Committee Chair will report to the Board on the activities of the Committee and/or the minutes of the Committee meetings will be promptly circulated to the Directors or otherwise made available at the next meeting of Directors.

Experts and Advisors

In order to carry out its duties, the Committee may retain or appoint, at the Corporation's expense, such independent counsel and other experts and advisors, as it deems necessary. The Committee may also request any officer or employee of the NAL Group or the Manager to attend a meeting of the Committee or to meet with any members of, or consultants or advisors to, the Committee.