



# **NAL Energy Corporation**

## **Board of Directors' Mandate**

**Effective December 31, 2010**

# NAL Energy Corporation

## Board of Directors' Mandate

### General

The Board of Directors (the "**Board of Directors**") of NAL Energy Corporation (the "**Corporation**") is responsible for the stewardship of the affairs of the Corporation for the benefit of the shareholders of the Corporation ("**Shareholders**"). Under the terms of the the Amended and Restated Administrative Services and Cost Sharing Agreement dated December 31, 2010 (the "**Administrative Services Agreement**") the Corporation has delegated to NAL Resources Management Limited (the "**Manager**"), subject to the supervision of the Board of Directors, the management and administration of the general and administrative affairs of the Corporation and the Corporation's direct and indirect subsidiary entities (collectively, the "**NAL Group**"), and the management and administration of the oil and natural gas properties of the NAL Group. The Board of Directors seeks to discharge its stewardship responsibility by exercising its powers and authority in the oversight of the NAL Group's business and affairs and by monitoring the activities of the Manager the Administrative Services Agreement.

The primary responsibilities of the Board of Directors are to:

- approve the strategy of the NAL Group to ensure the long term success of the NAL Group;
- oversee the business and affairs of the NAL Group in accordance with the terms of the Agreements and all applicable laws; and
- monitor the Manager to ensure that it meets its duties and responsibilities under the Administrative Services Agreement.

In performing its functions, the Board of Directors shall also consider the legitimate interests of other stakeholders in the NAL Group such as employees, customers and communities.

### Composition and Operation

The Board of Directors will consist of a minimum of three (3) members up to the stipulated maximum number of members as prescribed by the Corporation's articles. No more than one-third of the members of the Board of Directors may be non-residents of Canada. A majority of the Board of Directors shall be "independent" directors ("**Directors**") as such term is defined in National Instrument 52-110 – *Audit Committees*, such that they 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 their independent judgment. The Board of Directors will in each year appoint a chairman of the Board of Directors (the "**Chair**"). The Chair shall be an independent Director. The Board of Directors will analyze the application of the "independent" standard to individual members of the Board of Directors on an annual basis and disclose that analysis.

The Board of Directors operates by delegating certain of its authorities to the Manager pursuant to the Administrative Services Agreement and by reserving certain powers to itself. The Board of Directors retains the responsibility of managing its own affairs including selecting its Chair, nominating candidates for election to the Board of Directors, constituting committees of the full Board of Directors and determining the compensation of Directors. Subject to the articles and by-laws of the Corporation, the Agreements and all applicable laws, the Board of Directors may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board of Directors.

### **Mandate**

In addition to the primary responsibilities of the Board of Directors outlined above, the Board of Directors' duties shall include, but not be limited to, the following matters:

#### ***Oversight and Overall Responsibility***

In fulfilling its responsibility for the stewardship of the affairs of the NAL Group, the Board of Directors shall be specifically responsible for:

1. providing leadership and vision in supervising the management of the NAL Group in the best interests of Shareholders;
2. promoting a culture of integrity within the NAL Group and overseeing management in the ethical conduct of business by the NAL Group;
3. overseeing the development of, and approving, the NAL Group's goals and objectives and the strategy for their achievement, including providing oversight and guidance on the strategic issues facing the NAL Group and on the implementation of appropriate business plans to effect the NAL Group's strategy;
4. monitoring the NAL Group's progress towards the execution of its strategy and the attainment of its goals and objectives;
5. approving the audited annual financial statements and the unaudited interim financial statements and the notes and management's discussion and analysis accompanying such financial statements for the Corporation;
6. reviewing the process undertaken with respect to the annual engineering evaluation of the oil and natural gas properties of the NAL Group and approving such annual engineering evaluation in accordance with the requirements of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;
7. reviewing and approving material transactions involving the NAL Group including the establishment of the Corporation's dividend policy, the payment of dividends, the issuance of securities, acquisitions and dispositions of material assets by the NAL Group and material capital expenditures by the NAL Group;

8. approving the significant policies and procedures by which the NAL Group is operated and monitoring compliance with such policies and procedures;
9. monitoring the activities of the Manager on behalf of the NAL Group, to ensure that the operations of the NAL Group are at all times in compliance with applicable laws and regulations, including applicable environmental laws and legislation;
10. monitoring the Manager's programs and policies for the health and safety of employees in the workplace;
11. monitoring the operation of the Corporation' communication policies to ensure that the Corporation is able to communicate effectively with Shareholders, other stakeholders and the public generally;
12. approving the timely reporting of any developments that have a significant and material impact on the value of the NAL Group; and
13. verifying that the NAL Group, through the Manager, has implemented adequate internal control and management information systems, monitoring the integrity of such systems and obtaining assurances on a regular basis that the systems are designed and operating effectively.

In fulfilling these obligations the Board of Directors shall:

1. act honestly and in good faith with a view to the best interests of the NAL Group;
2. exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances; and
3. act in accordance with its obligations contained in the Corporation's articles and by-laws, the Agreements and all relevant legislation and regulations.

### ***Appointment and Monitoring of Senior Management of the Corporation***

The Board of Directors has the responsibility to appoint the President and Chief Executive Officer of the Corporation, to monitor the performance of the President and Chief Executive Officer and to provide advice and counsel in the execution of the President and Chief Executive Officer's duties. The Board of Directors also has the obligation to approve the appointment of all other officers of the Corporation.

### ***Risk Management***

The Board of Directors has the responsibility to understand the principal risks of the business in which the NAL Group is engaged, to achieve a proper balance between risks incurred and the potential return to Shareholders, and to confirm that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the NAL Group.

### ***Public Disclosure***

The Board of Directors, together with the Manager, has overall responsibility for the Corporation's disclosure obligations. As a result it must:

1. verify that the NAL Group has in place policies and programs to enable the Corporation to communicate effectively with Shareholders, other stakeholders and the public generally;
2. verify that the financial performance of the NAL Group is adequately reported to Shareholders, other stakeholders and regulators on a timely and regular basis;
3. verify that the financial results are reported fairly and in accordance with Canadian generally accepted accounting standards Canadian generally accepted accounting principles or International Financial Reporting Standards as applicable and as the case may be;
4. approve the timely reporting of any developments that have a significant and material impact on the value of the NAL Group; and
5. report annually to Shareholders on its stewardship of the affairs of the NAL Group for the preceding year.

### ***Code of Business Conduct***

The Board of Directors shall be responsible to adopt a "Code of Business Conduct" for the NAL Group which shall address:

1. conflicts of interests;
2. the protection and proper use of the NAL Group's assets and opportunities;
3. the confidentiality of information;
4. fair dealing with the various stakeholders of the NAL Group;
5. compliance with laws, rules and regulations; and
6. the reporting of any illegal or unethical behaviour.

The Board of Directors shall oversee compliance with the NAL Group's Code of Business Conduct by the Directors and the officers of the Corporation and the Manager, authorize any waiver granted in connection with this policy, and confirm with management the appropriate disclosure of any such waiver.

***Review of the Management of the Manager***

The Board of Directors shall review with the Manager, at least annually, the composition, compensation and performance of the management of the Manager.

***Appointment of Directors of the Manager***

The Board of Directors shall appoint the representatives of the Corporation to the board of directors of the Manager pursuant to the terms of the Administrative Services Agreement.

***Other Duties***

The Board of Directors may perform any other activities consistent with this mandate, the articles and by-laws of the Corporation, the Agreements and any other governing laws as the Board of Directors deems necessary or appropriate including, but not limited to:

1. calling meetings of the Board of Directors at such time and place and providing notice of such meetings to all members of the Board of Directors in accordance with the by-laws of the Corporation;
2. ensuring that Board of Directors meetings are properly attended by Directors;
3. ensuring that a majority of Directors are present in order to transact any business; and
4. ensuring that all decision making at Board of Directors meetings are made by a majority of votes, and in the event that decisions are made by written resolution, that such resolution is signed by all of the Directors.