



NAL ENERGY CORPORATION

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 25, 2011

MANAGEMENT INFORMATION CIRCULAR

April 19, 2011

NAL ENERGY CORPORATION

Notice of the
Annual Meeting of Shareholders
to be held on May 25, 2011

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of NAL Energy Corporation (the "**Corporation**") will be held in the Dining Room at the Bow Valley Club, 370, 250 - 6th Avenue S.W., Calgary, Alberta, on Wednesday, May 25, 2011 at 3:00 p.m., Calgary time, for the purposes of:

1. receiving and considering the audited consolidated financial statements of the Corporation for the year ended December 31, 2010 and the auditors' report thereon;
2. electing the directors of the Corporation for the ensuing year;
3. appointing the auditors of the Corporation for the ensuing year; and
4. transacting such other business as may properly come before the meeting.

The specific details of the matters proposed to be put before the meeting are set forth in the Management Information Circular accompanying and forming part of this Notice.

Shareholders who are unable to attend the meeting in person are requested to date, sign and return the accompanying form of proxy in accordance with the instructions contained in the accompanying Management Information Circular to the offices of Computershare Trust Company of Canada, 100 University Avenue, Toronto, Ontario, M5J 2Y1 no later than 3:00 p.m., Calgary time, on May 20, 2011.

DATED at Calgary, Alberta this 19th day of April, 2011.

By Order of NAL ENERGY CORPORATION

(Signed) *Andrew B. Wiswell*

Andrew B. Wiswell
President and Chief Executive Officer



NAL ENERGY CORPORATION
management information circular
dated April 19, 2011

Information is current as of April 19, 2011, except as otherwise indicated

QUESTIONS AND ANSWERS ON VOTING AND PROXIES

To ensure representation of your common shares (the "**Common Shares**") at the annual meeting of holders of Common Shares ("**Shareholders**") of NAL Energy Corporation (the "**Corporation**") to be held at 3:00 p.m., Calgary time, in the Dining Room at the Bow Valley Club, 370, 250 - 6th Avenue S.W., Calgary, Alberta, on May 25, 2011 (the "**Meeting**"), please complete, sign and return your proxy form or, if you are not a registered Shareholder, the request for voting instructions, that was sent to you, as soon as possible, and in any event no later than 3:00 p.m., Calgary time, on May 20, 2011. It is important that your Common Shares be represented at the Meeting and that your wishes be made known to the Corporation. This will be assured, whether or not you attend the Meeting, if you complete and sign the proxy form or request for voting instructions and return it to Computershare Trust Company of Canada ("**Computershare**") by no later than 3:00 p.m. (Calgary time) on May 20, 2011. The following questions and answers provide guidance on how to vote your Common Shares. **If you are not a registered Shareholder, please refer to Q&A No. 17 below for a description of the procedure to be followed to vote your Common Shares.**

1. Who is soliciting my proxy?

This Management Information Circular (the "**Circular**") is furnished in connection with the solicitation, by the management of the Corporation ("**Management**"), of proxies to be used at the Meeting and at any adjournment or postponement thereof. Solicitation of proxies will be primarily by mail, supplemented by telephone or other contact, by agents of the Corporation at a nominal cost, and all costs thereof will be borne by the Corporation.

2. What am I voting on?

Shareholders will be voting on the election of directors to the board of directors of the Corporation (the "**Board**") and the appointment of the auditors of the Corporation.

Common Shares may be voted for or withheld from voting on the election of directors and the appointment of auditors. **As indicated elsewhere in this Circular, the Board and Management are recommending that Shareholders vote FOR the above resolutions.**

3. Who is entitled to vote?

Shareholders as of the close of business on April 19, 2011 or, individuals to which a Shareholder has transferred Common Shares to subsequent to that date that have, not less than 10 days before the Meeting, established ownership of the Common Shares and requested to Computershare that their name be included in the list of Shareholders entitled to vote at the Meeting, or their duly appointed proxyholders will be entitled to attend the Meeting and/or register a vote. Each Common Share represents one vote.

4. How do I vote?

There are two ways that you can vote your Common Shares if you are a registered Shareholder. You may vote in person at the Meeting or you may complete and sign the enclosed proxy form appointing the named persons or some other person you choose to represent you and vote your Common Shares at the Meeting.

If you wish to vote in person at the Meeting, do not complete or return the proxy form. Your vote will be taken and counted at the Meeting. Completing, signing and returning your proxy form does not preclude you from attending the Meeting in person.

If you do not wish to attend the Meeting or do not wish to vote in person, your proxy will be voted for or withheld from voting in accordance with your wishes as specified thereon on any ballot that may be called at the Meeting. **A proxy must be in writing and must be signed by the Shareholder or by the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.**

If your Common Shares are held in a brokerage account and therefore registered in the name of a nominee, please see Q&A No. 17 for voting instructions.

5. How do I attend the Meeting in person?

Shareholders should present themselves to a representative of Computershare at the Meeting. Persons who are not proxyholders or Shareholders may be admitted subject to the discretion of the chairman of the Meeting and subject to any space constraints after addressing themselves to a representative of Computershare. **Non-registered Shareholders wishing to attend the Meeting should refer to Q&A No. 17.**

6. What if I sign the proxy form enclosed with this Management Information Circular?

Signing the enclosed proxy form gives authority to Andrew B. Wiswell or Keith A. Steeves, both of whom are officers of the Corporation, to vote your Common Shares at the Meeting.

7. Can I appoint someone other than these officers to vote my Common Shares?

Yes. Write the name of the person you wish to appoint, who need not be a Shareholder, in the blank space provided in the proxy form. **IT IS IMPORTANT TO ENSURE THAT ANY OTHER PERSON YOU APPOINT IS ATTENDING THE MEETING AND IS AWARE THAT HIS OR HER APPOINTMENT HAS BEEN MADE TO VOTE YOUR COMMON SHARES. PROXYHOLDERS SHOULD PRESENT THEMSELVES TO A REPRESENTATIVE OF COMPUTERSHARE AT THE MEETING.**

8. What do I do with my completed proxy form?

Return it to Computershare in the envelope provided so that it arrives no later than 3:00 p.m. (Calgary time) on May 20, 2011. All Common Shares represented by properly executed proxy forms received by Computershare prior to such time will be voted for or withheld from voting, in accordance with the instructions specified in the proxy form, on any matter dealt with at the Meeting. **Non-registered Shareholders should refer to Q&A No. 17.**

9. How will my Common Shares be voted if I give my proxy?

The persons named in the proxy form must vote or withhold from voting your Common Shares in accordance with your directions. **In the absence of such directions, however, your Common Shares will be voted FOR the matters specified in the proxy form.**

10. If I change my mind, can I revoke my proxy once I have given it?

Yes. A Shareholder who has given a proxy may revoke it by depositing an instrument in writing (which includes another proxy form with a later date), signed by the Shareholder or by the Shareholder's attorney authorized in writing, with Computershare at 100 University Avenue, Toronto, Ontario, M5J 2Y1 at any time up to and including the day of the Meeting, or any adjournment or postponement thereof, or by depositing it with the chairman of the Meeting on the day of the Meeting, or any adjournment or postponement thereof. A Shareholder may also revoke a proxy in any other manner permitted by law.

It should be noted that the participation in person by a Shareholder in a vote by ballot at the Meeting will automatically revoke any proxy which has been previously given by the Shareholder in respect of business covered by that vote.

11. What if amendments are made to these matters or if other matters are brought before the Meeting?

The persons named in the proxy form will have discretionary authority with respect to amendments or variations to matters identified in the notice of the Meeting and to other matters which may properly come before the Meeting. As of the date of this Circular, Management knows of no such amendment, variation or other matter expected to come before the Meeting. If any other matters properly come before the Meeting, the persons named in the proxy form will vote in accordance with their best judgment.

12. What if ownership of Common Shares is transferred after April 19, 2011?

If you are a Shareholder on April 19, 2011, you are entitled to receive notice and to vote at the Meeting, even though since that time you have disposed of your Common Shares. If you acquired your Common Shares after April 19, 2011, you are not entitled to receive notice of or to vote at the Meeting. **However, if you were transferred Common Shares from a Shareholder after April 19, 2011 you should refer to Q&A No. 3.**

13. How will the votes be counted?

The election of directors and the appointment of auditors will each be determined by a majority of votes cast.

14. Who counts the votes?

Computershare counts and tabulates the proxies. Proxies are referred to the Corporation only in cases where a Shareholder clearly intends to communicate with Management (by making a written statement on the proxy form), in the event of a proxy contest or when it is necessary to do so to meet the requirements of applicable law.

15. How can I get the voting results?

A simple majority of the votes cast (50% plus one vote) by the Shareholders, in person or represented by proxy, will constitute approval of the election of directors and the appointment of auditors. Following the Meeting, a report on the voting results will be filed with the Canadian securities regulators on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

16. How can I contact the transfer agent?

You can contact Computershare in person at:

Computershare Trust Company of Canada
Suite 600, 530 – 8th Avenue S.W.
Calgary, Alberta T2P 3S8

or by mail at:

Computershare Trust Company of Canada
100 University Avenue
9th Floor
Toronto, Ontario M5J 2Y1

or:

Phone: 1.800.564.6253
Facsimile: 1.403.267.6529
Web site: www.computershare.com

NAL ENERGY CORPORATION

The Arrangement

On December 31, 2010, NAL Oil & Gas Trust (the "**Trust**") converted from an income trust structure to a corporate structure pursuant to a statutory plan of arrangement under the *Business Corporations Act* (Alberta) ("**ABCA**") and since such time, the Corporation and its subsidiaries have carried on the business previously carried on by the Trust and its subsidiaries.

Organization

The Corporation was incorporated under the ABCA on November 1, 2010. The head and registered office of the Corporation is 1000, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2.

Computershare is the transfer agent and registrar of the Corporation. The principal place of business of Computershare is 600, 530 – 8th Avenue S.W., Calgary, Alberta, T2P 3S8.

MATTERS TO BE CONSIDERED AT THE MEETING

Receipt of December 31, 2010 Financial Statements

The audited consolidated financial statements of the Corporation for the financial year ended December 31, 2010 have been mailed to all registered Shareholders and to those Beneficial Shareholders requesting that they receive the financial statements and are available on SEDAR at www.sedar.com. No formal action will be taken at the Meeting to approve the audited consolidated financial statements. If any Shareholders have questions respecting the audited consolidated financial statements, these questions may be brought forward at the Meeting.

Election of Directors

Number of Directors

The articles of incorporation of the Corporation stipulate there shall not be less than three directors and not more than fifteen directors. There are currently seven directors. In accordance with the by-laws of the Corporation, the Board has determined that seven directors will be elected at the Meeting.

The enclosed proxy form or request for voting instructions permits Shareholders to vote "for" or to "withhold" their vote in respect of each director nominee.

Majority Voting Policy

The Board has adopted a policy which requires that any nominee for director who has a greater number of votes withheld from voting than the number of votes received for his or her election shall tender his or her resignation to the Chairman of the Board, subject to acceptance by the Board. The policy only applies to uncontested elections, meaning elections where the number of nominees for election is equal to the number of directors to be elected as set out in the management information circular for the particular meeting. The Corporate Governance, Environment, Health & Safety Committee is required to consider the resignation, having regard to the best interests of the Corporation and all factors considered relevant, and to make a recommendation to the Board with respect to the action to be taken with respect to the resignation. The Board is required to make its decision and announce it in a press release within 90 days of the annual meeting including, if applicable, the reasons for rejecting an offer of resignation. A director who is required to tender a resignation under the policy will not participate in the deliberations of the Corporate Governance, Environment, Health & Safety Committee or the Board on any offers of resignation unless there are fewer than three directors who are not required to tender a resignation, in which event the Board will proceed in making the determination. If a resignation is accepted, the Board may fill the vacancy created by the resignation.

Shareholders should note that, as a result of the majority voting policy, a "withhold" vote is effectively the same as a vote against a director nominee in an uncontested election.

Director Profiles

The following persons are the seven nominees proposed by Management for election as directors of the Corporation to serve until the next annual meeting or until their successors are duly elected or appointed. Should any of the nominees be unable to serve as a director for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. The persons named in the enclosed form of proxy intend to vote "for" the election of the nominees.

William J. Eeuwes

Toronto, Ontario, Canada

<i>Age:</i>	57
<i>Director Since:</i>	December 2008
<i>Principal Occupation:</i>	Senior Vice President & Managing Director of Manulife Capital
<i>Board Committees:</i>	Mr. Eeuwes is not currently a member of any Board Committees
<i>Business Experience:</i>	Mr. Eeuwes joined Manulife Financial in 1999, and is currently the Senior Vice President & Managing Director of Manulife Capital. He is responsible for initiating and leading a private equity team and a project finance team for The Manufacturer's Life Insurance Company. Prior to joining Manulife, Mr. Eeuwes was a career banker with 20 years of experience in underwriting and the management of a broad range of financing, including leveraged buyouts, corporate lending and project finance. Mr. Eeuwes is a graduate of the Richard Ivey School of Business at the University of Western Ontario, and holds an FICB.
<i>Other Directorships:</i>	Director of NAL Resources Management Limited (the " Manager ") and Canaccord Financial Inc.
<i>2010 Board Compensation:</i>	\$40,000 ⁽¹⁾
<i>Common Shares held:</i>	Nil ⁽²⁾
<i>Aggregate Number of DSUs held:</i>	Nil
<i>Market Value of Common Shares and DSUs:</i>	Nil

Notes:

- (1) Mr. Eeuwes' director's fees were paid to Manulife Financial Corporation.
- (2) Mr. Eeuwes is responsible for overseeing Manulife's investment in the Corporation. Manulife holds 1,592,357 Common Shares representing approximately 1.076% of all Common Shares issued and outstanding. Mr. Eeuwes is not permitted to hold Common Shares in his personal capacity.

Donald R. Ingram

Calgary, Alberta, Canada

<i>Age:</i>	66
<i>Director Since:</i>	May 2009
<i>Principal Occupation:</i>	Retired Petroleum Executive
<i>Board Committees:</i>	Audit and Risk Management Committee Reserves Committee Corporate Governance, Environment, Health & Safety Committee (Chairman)
<i>Business Experience:</i>	Mr. Ingram is a retired petroleum executive. Mr. Ingram was Senior Vice President, Midstream & Refined Products of Husky Energy Inc., a fully integrated oil and gas company, from August 2000 until August 2008. From 2002 until 2008, Mr. Ingram was also

Chairman and a Director of Sultran Ltd., a sulphur logistics and transportation company.

Other Directorships: Director of SilverBirch Energy Corporation.

2010 Board Compensation: \$71,833

Common Shares held: 4,000

Aggregate Number of DSUs held: 7,043

Market Value of Common Shares and DSUs: \$141,903

Kelvin B. Johnston
Calgary, Alberta, Canada

Age: 51

Director Since: May 2010

Principal Occupation: Vice President, Corporate Development of Lakeview Energy Ltd. and President of Wylander Crude Corp.

Board Committees: Audit and Risk Management Committee
Reserves Committee

Business Experience: Mr. Johnston is an executive with over 25 years of experience as founder, president, chief executive officer and director of various public and private companies in Canada. Mr. Johnston has been President of Wylander Crude Corp., a private oil and gas company, since July 2006, and Vice President, Corporate Development of Lakeview Energy Ltd., a private oil and gas company, since June 2009. From July 2005 until June 2009, Mr. Johnston was President and Chief Executive Officer of Alberta Clipper Energy Inc., an oil and gas company. From May 2004 to July 2005, Mr. Johnston was Vice-President, Exploration of Thunder Energy Ltd., an oil and gas company. Prior thereto, Mr. Johnston served in various capacities at Husky Oil Ltd., Startech Energy Inc., Impact Energy Inc., Mustang Resources Ltd. and Peerless Energy Inc. Mr. Johnston holds a Bachelor of Science (Hons.) degree in Geology from the University of Manitoba and a Masters degree in Economics from the University of Calgary.

Other Directorships: Director of the Manager and of the Small Explorers and Producers Association of Canada.

2010 Board Compensation: \$43,583

Common Shares held: 78,359

Aggregate Number of DSUs held: 3,787

Market Value of Common Shares and DSUs: \$1,055,576

Irvine J. Koop
Calgary, Alberta, Canada

Age: 64

Director Since: March 1996 (Mr. Koop is Chairman of the Board)

Principal Occupation: Retired Petroleum Executive

Board Committees: Audit and Risk Management Committee
Reserves Committee

Business Experience: Mr. Koop was Chairman and Chief Executive Officer of IKO Resources Inc., a private consulting company for the oil and gas industry, from 2001 to January of 2008. Prior to that, Mr. Koop was Executive Vice President, President and Chief Executive Officer, Pipelines & Midstream of Westcoast Energy Inc. He has more than 40 years of experience in the oil and natural gas industry. Mr. Koop is a Past Chair of the Canadian Energy Research Institute and was the inaugural Chairman of the Canadian Association of Petroleum Producers in 1991. He holds a Bachelor of Science in Mechanical Engineering from the University of Manitoba and has completed the Advanced Management Program at the Wharton School of Business, University of Pennsylvania.

Other Directorships: Director of Compton Petroleum Corporation.

2010 Board Compensation: \$107,833

Common Shares held: 17,000

Aggregate Number of DSUs held: 19,445

Market Value of Common Shares and DSUs: \$468,318

Gordon S. Lackenbauer
Calgary, Alberta, Canada

Age: 67

Director Since: July 2006

Principal Occupation: Retired Investment Banking Executive

Board Committees: Audit and Risk Management Committee (Chairman)
Reserves Committee
Corporate Governance, Environment, Health & Safety Committee

Business Experience: Mr. Lackenbauer was Deputy Chairman of BMO Nesbitt Burns from 1990 to 2004, and brings significant financial expertise to the Board, including a background in energy, capital markets, and mergers and acquisitions.

Other Directorships: Director of TransAlta Corporation.

2010 Board Compensation: \$79,500

Common Shares held: 15,000

Aggregate Number of DSUs held: 19,102

Market Value of Common Shares and DSUs: \$438,211

Barry D. Stewart
Calgary, Alberta, Canada

Age: 68

Director Since: May 2002

Principal Occupation: Retired Petroleum Executive

Board Committees: Audit and Risk Management Committee
Reserves Committee (Chairman)
Corporate Governance, Environment, Health & Safety Committee

Business Experience: Mr. Stewart was Executive Vice President, In-Situ and International Oil of Suncor Energy Inc. from 2000 to 2001, and from 1991 to 1999 held the position of Executive Vice President, Exploration & Production with Suncor Energy Inc. He has over 35 years of experience in the oil and gas industry. He holds a Bachelor of Science in Engineering Physics from Queen's University.

Other Directorships: Director of the Manager, director and Chairman of the Board of Newalta Corporation.

2010 Board Compensation: \$80,500

Common Shares held: 20,000

Aggregate Number of DSUs held: 18,984

Market Value of Common Shares and DSUs: \$500,944

Andrew B. Wiswell
Calgary, Alberta, Canada

Age: 59

Director Since: May 2005

Principal Occupation: President and Chief Executive Officer of the Corporation and the Manager effective May 31, 2005

Business Experience: Mr. Wiswell has more than 25 years of experience in the oil and natural gas industry, including as Senior Vice President and Chief Financial Officer of Gulf Canada Resources Limited. Most recently, he was President and Chief Executive Officer of Parkland Industries Ltd., the administrator of Parkland Income Fund. He holds a Masters of Business Administration from the University of Western Ontario and a Bachelor of Laws and a Bachelor of Arts (Economics and Political Science) from the University of Manitoba.

Other Directorships: Director of the Manager and Total Energy Services Inc. and Past Chairman of the Board of Governors of the Canadian Association of Petroleum Producers.

2011 Board Compensation: Nil

Common Shares held: 82,853⁽¹⁾

Aggregate Number of DSUs: Nil

Market Value of Common Shares and DSUs: \$1,064,661

Note:

- (1) Mr. Wiswell also holds \$75,000 principal amount of 6.25% convertible unsecured subordinated debentures of the Corporation. The convertible debentures are convertible into Common Shares at any time prior to maturity at a conversion price of \$16.50 per Common Share, subject to adjustment in certain events.

For each director, the "Market Value of Common Shares and DSUs" was calculated at the April 19, 2011 closing price on the TSX of \$12.85 per Common Share.

Director Attendance

The following table discloses the attendance of the members of the Board at meetings of the Board and committees of the Board (collectively, the "**Board Committees**") as well as strategic planning sessions:

Director	Board Meetings	Corporate Governance, Environment, Health & Safety Committee Meetings	Audit and Risk Management Committee Meetings	Reserves Committee Meetings	Strategic Planning Sessions	Independent Committee⁽¹⁾ Meetings
William J. Eeuwes	9/9	-	-	-	2/2	-
Donald R. Ingram	9/9	1/1	4/4	2/2	2/2	4/4
Kelvin B. Johnston ⁽²⁾	6/6	-	2/2	1/1	1/1	4/4
Irvine J. Koop	9/9	-	4/4	2/2	2/2	4/4
Gordon S. Lackenbauer	9/9	1/1	4/4	2/2	2/2	4/4
Barry D. Stewart	9/9	1/1	4/4	2/2	2/2	4/4
Andrew B. Wiswell	9/9	-	-	-	-	-

Notes:

- (1) The Independent Committee has been established to evaluate the strategic position of the Corporation and to generally assist, consider and make recommendations to the Board in respect of strategic opportunities, alternatives and initiatives available to the Corporation from time to time.
- (2) Mr. Johnston has attended all meetings of the Board, all meetings of Board Committees of which he is a member and all strategic planning sessions since becoming a director of the Corporation in May 2010.

Share Ownership Guidelines

On December 16, 2010, the Board adopted share ownership guidelines for all independent directors of the Board, with such directors being expected to hold a minimum number of Common Shares equal in value to three times the directors' annual retainer fee, with:

- (i) directors having a minimum of three years to reach the required level of share ownership from the date of their initial election or appointment to the Board; and
- (ii) ownership of Common Shares including direct or beneficial ownership as well as deferred share units ("DSUs") held under the New DSU Plan and Original DSU Plan (as such terms are defined herein).

As of the date hereof, all of the independent directors meet the share ownership requirements with the exception of Donald Ingram, who has until November 2013 to meet the share ownership guidelines. The Corporation determines adherence to the share ownership guidelines based on the current market value of the Common Shares and DSUs.

Cease Trade Orders and Bankruptcies

For information concerning cease trade orders, bankruptcies, penalties or sanctions in the past 10 years in respect of the Corporation's nominees for election as directors and corporations of which such persons served as directors, please see the section entitled "Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions" contained in the Corporation's Annual Information Form dated March 31, 2011, which is incorporated by reference into this Circular.

Appointment of Auditor for the Corporation

The independent auditor of the Corporation is KPMG LLP ("**KPMG**") which has acted in that capacity since 1996. The Corporation has requested that KPMG act as the independent auditor for the 2011 fiscal year, subject to Shareholder approval. The persons named in the enclosed proxy form intend to vote for the appointment of KPMG as independent auditor of the Corporation to hold office until the next annual meeting of Shareholders.

ADDITIONAL INFORMATION

Voting Securities and Principal Holders of Voting Securities

As at the date of this Circular and to the knowledge of the directors and executive officers of the Corporation and the Manager, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, more than 10% of the issued and outstanding Common Shares.

On a show of hands, every Shareholder present in person or represented by proxy (and entitled to vote) has one vote for each Common Share held. On a poll or ballot every Shareholder present in person or represented by proxy (and entitled to vote) has one vote for each Common Share held. On April 19, 2011 the Corporation had 147,980,014 Common Shares issued and outstanding.

Only persons who are registered Shareholders at the close of business on April 19, 2011 (the "**Record Date**") are entitled to receive notice of and to vote at the Meeting, even if such persons dispose of their Common Shares following the Record Date. Persons who acquired Common Shares after April 19, 2011 are not entitled to receive notice of or to vote at the Meeting. Persons who were transferred Common Shares from a Shareholder after April 19, 2011 may be entitled to vote at the Meeting and should refer to Q&A No. 3.

Interest of Certain Persons or Companies in Matters to be Acted Upon

Neither the Manager nor Management are aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since January 1, 2010, the commencement of the last financial year of the Corporation, any proposed nominee for election as a director of the Corporation, or any known associate or affiliate of any of these persons, in any matter to be acted on at the Meeting.

Administrative Services and Cost Sharing Agreement

The Manager was incorporated under the *Canada Business Corporations Act* and provides ongoing advisory, management and administrative services to institutional investors (including insurance companies) in the Canadian petroleum and natural gas industry. The head and registered office of the Manager is 1000, 550 – 6th Avenue S.W., Calgary, Alberta, T2P 0S2. The Manager is a wholly-owned subsidiary of The Manufacturers Life Insurance Company ("**Manulife**"), a wholly-owned subsidiary of Manulife Financial Corporation ("**MFC**").

Pursuant to the amended and restated administrative services and cost sharing agreement effective December 31, 2010, among the Manager, NAL Resources Limited ("**NAL Resources**"), Manulife and the Corporation (the "**Administrative Services Agreement**"), the activities of the Corporation and its subsidiaries are managed by the Manager.

The primary duties of the Manager under the Administrative Services Agreement are to: (i) manage the Corporation; (ii) provide management services for the economic and efficient exploitation of oil and natural gas properties; (iii) operate oil and natural gas properties which the Corporation and its subsidiaries (collectively, "**NAL**") are entitled to operate and monitor the activities of third party operators; (iv) recommend, carry out and monitor property acquisitions and dispositions and exploitation and development programs for NAL; (v) negotiate, execute and amend, on behalf of NAL, all exploitation and development agreements, operating agreements, working agreements, farm-in and farm-out agreements, leases and other documents relating to the exploitation of the oil and natural gas properties as may be advisable; (vi) recommend and, subject to the direction of NAL, negotiate banking arrangements for NAL; and (vii) provide office space, office furnishings and equipment and personnel necessary for the proper administration of the assets of NAL.

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 NAL. General and administrative expenses are generally allocated to NAL by the Manager on a unit of production basis. 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 NAL.**

From January 1, 2010 to December 31, 2010, NAL reimbursed the Manager an aggregate of \$13.9 million for general and administrative expenses incurred in managing NAL and \$7.1 million for the reimbursement of security-based incentive compensation.

The Administrative Services Agreement is to continue until December 31, 2015 and may thereafter be renewed for two successive five-year periods which are exercisable at the option of the Corporation. The Administrative Services Agreement may be terminated by the Corporation at any time upon provision of 90 days prior notice to the Manager. The Manager and/or Manulife may terminate the Administrative Services Agreement at the end of any of the two five-year renewal periods upon the provision of 18 months prior notice to NAL. Severance obligations incurred by the Manager as a result of the termination of any employees of the Manager due to the termination or expiry of the Administrative Services Agreement are for the account of the Manager, except for severance costs that are incurred by the Manager within 120 days of termination in respect of any termination of employees of the Manager in excess of the number of employees of the Manager on January 1, 2006, the costs for which shall be contributed to, in part, by the Corporation. No other termination fees are payable by NAL to the Manager.

William Eeuwes, Andrew B. Wiswell, Kelvin B. Johnston, Barry D. Stewart and Kevin J.E. Adophe are the directors of the Manager. Andrew B. Wiswell, Keith A. Steeves, Marlon J. McDougall, John C. Koyanagi and Alicia K. Quesnel, all of whom are resident in Calgary, Alberta, are the officers of the Manager.

Securities Authorized for Issuance Under Equity Compensation Plans

Other than the New DSU Plan (as defined herein), the Corporation does not currently, and did not during the financial year ended December 31, 2010, have in place any equity compensation plan pursuant to which Common Shares are authorized for issuance to employees or non-employees. The New DSU Plan was approved by the Shareholders on December 16, 2010 and was adopted by the Corporation effective December 31, 2010. As at the year ended December 31, 2010, no DSUs were issued under the New DSU Plan.

Indebtedness of Directors and Executive Officers

None of the directors or executive officers of the Corporation or the Manager, nor any proposed nominee for election as a director, nor any associate or affiliate of any such persons is or has been indebted to the Corporation at any time during the most recently completed financial year.

Interest of Informed Persons in Material Transactions

No director or executive officer of the Corporation, or any proposed nominee for election as a director of the Corporation or any Shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Common Shares, or any known associate or affiliate of such persons, has any material interest, direct or indirect, in any transaction since January 1, 2010, or in any proposed transaction which has materially affected or would materially affect the Corporation, except as disclosed elsewhere in this Circular.

STATEMENT OF EXECUTIVE COMPENSATION

Executive Compensation Discussion and Analysis

The purpose of this Executive Compensation Discussion and Analysis is to provide information about the Corporation's philosophy, objectives and processes regarding compensation for the President and Chief Executive Officer ("**CEO**"), the Vice President, Finance and Chief Financial Officer ("**CFO**"), the Vice President, Operations and Chief Operating Officer ("**COO**"), and the Vice President, Business Development ("**VP, BD**") of the Manager (collectively, the "**Named Executive Officers**" or "**NEOs**"). The NEOs were the only executive officers of the

Manager whose individual total compensation allocated to the Corporation exceeded \$150,000 for the year ended December 31, 2010.

The Corporation is managed by the Manager, which is an indirect wholly-owned subsidiary of MFC. In addition to managing the Corporation, the Manager also manages NAL Resources, another wholly-owned subsidiary of MFC. NAL Resources and NAL maintain ownership interests in many of the same oil and natural gas properties.

The Corporation has no direct employees, as all employees working on the Corporation's business are employed by the Manager.

The Manager provides certain services to the Corporation pursuant to the Administrative Services Agreement. The Administrative Services Agreement requires the Corporation to reimburse the Manager, at cost, for general and administrative ("**G&A**") expenses incurred by the Manager on its behalf, including compensation costs. The Administrative Services Agreement provides for the allocation of G&A costs incurred by the Manager to the entities under management based on an actual unit of production basis each year.

The board of directors of the Manager (the "**Manager Board**") is responsible for recommending and approving the compensation levels of the NEOs employed by the Manager. The Manager Board consists of five directors, two of whom are independent and are also members of the Board. One of the other three directors is the President and CEO of the Corporation.

Objectives of the Compensation Program

The compensation program is designed to reward performance as measured against both short-term and longer-term objectives for all entities under the management of the Manager. In addition, the Manager strives to maintain a competitive level of compensation compared to the oil and gas industry, to ensure experienced executives are recruited and retained to manage the entities' assets.

The compensation plan for NEOs includes base salary, short term incentive, long term incentive, an annual executive flexible spending account and a supplemental pension plan. NEOs are also eligible for the standard employee pension and benefits plan offered to all employees of the Manager.

Compensation considered "at risk" is the payout from the short term and long term incentive plans. These plans reward short term objectives, focusing on achieving budgets, and longer term objectives, driven by relative returns compared to peers.

To ensure that compensation is competitive, the Manager engages an external compensation consultant, Mercer (Canada) Limited ("**Mercer**"), to review and assess the comparability of the executive program to those of oil and gas energy companies of a similar size and complexity. In addition, Mercer's Total Compensation Survey for the Energy Sector is reviewed annually to validate the competitiveness of the compensation packages for the NEOs. In 2010, Mercer was also engaged to review the long term incentive plan of the Trust in preparation for the conversion of the Trust from an income trust structure to a corporate structure that was completed on December 31, 2010. Total fees paid (excluding the survey) to Mercer in 2010 were approximately \$62,000. No other services were provided by Mercer to the Manager or the Corporation in 2010.

The Board has recommended that the executive compensation plan be designed to achieve a focus on performance, and to ensure the desired level of market competitiveness is reached.

NEO total compensation is recorded in the Manager, and is then allocated, with all the other G&A expenses recorded in the Manager, to the Corporation and MFC based on a relative unit of production basis. For 2010, 63% of G&A expenses in the Manager were charged to the Corporation.

Base Salary

Base salaries are established by considering the scope of the position and the experience level and skill set of the executive. The Manager Board's goal is to be competitive in the marketplace.

Short Term Incentive Plan

The Short Term Incentive Plan ("**STIP**") is designed to reward current year performance against budget and annual objectives. Payout is determined based on a corporate performance factor and a personal performance factor, which are applied to an established percentage of salary. For 2010, the target percentage of salary for Mr. Wiswell was 50%, for Mr. Steeves and for Mr. McDougall was 40% and for Mr. Koyanagi was 35%. The maximum payout per year under the STIP is two times the target percentage amount.

The corporate performance factor ranges from zero to a multiple of two times base salary and is based on quantitative and qualitative measures. For 2010, the quantitative measures accounted for 70% of the corporate factor and related to the achievement of operating cost, production targets and capital efficiency performance established in the 2010 Corporation and NAL Resources budgets. Additional measures accounted for 30% of the 2010 corporate performance factor. These measures are defined each year based on key objectives and are focused on financial capability, environmental and safety stewardship, adding new opportunities and Board discretion.

Personal performance factors range between zero and a multiple of 1.5 times bonus target and are dependent on the individual's performance relative to agreed upon objectives that are aligned with the corporate objectives.

Long Term Incentive Plans

NEOs participate in long term incentive plans ("**LTIP**"). These plans are designed to align corporate and NEO objectives and to reward NEOs for long-term performance and returns relative to peers. Compensation received is comprised of both Corporation and MFC components. The cost is shared on a relative unit of production basis.

Corporation LTIP

The employees of the Manager, including the NEOs, are all members of a Common Share-based LTIP. The LTIP Plan results in employees receiving cash compensation based upon the value and overall return of a specified number of notional Common Shares. The LTIP Plan consists of Restricted Share Units ("**RSUs**") and Performance Share Units ("**PSUs**"). RSUs vest one third on November 30 in each of three years after the date of grant. PSUs vest on November 30, 35 months after their grant date. Dividends paid on the Corporation's outstanding Common Shares during the vesting period are assumed to be paid on the awarded notional units and reinvested in additional notional units on the date of distribution. Upon vesting, the employee is entitled to a cash payout based on the Common Share vesting price. The vesting price is based on the weighted average Common Share price for the 20 trading days prior to the date of vesting. In addition, PSUs have a performance multiplier which is based on the Corporation's performance relative to its peers and may range from zero to two times the market value of the notional Common Shares held at vesting. At the time of grant, the peer group is established and includes dividend paying conventional oil and gas companies trading on the date the grant is made. A performance multiplier of zero is attributed if the Corporation's total relative return compared to the peer group is below the 35th percentile. If the Corporation's total relative return meets or exceeds the 75th percentile, a performance multiplier of two is attributed.

MFC Restricted Stock Unit Plan and Performance Share Unit Plan

The NEOs are part of MFC's Restricted Share Unit Plan ("**RSU Plan**"). The CEO also participates in MFC's Performance Share Unit Plan ("**PSU Plan**"). Under MFC's RSU Plan, both RSUs and PSUs may be granted. RSUs and PSUs entitle participants to receive cash equal to the market value of the same number of MFC common shares when units vest and are paid. The vesting and payout of PSUs are subject to performance conditions. RSUs and PSUs are credited with additional units when dividends are paid on MFC common shares.

RSUs and PSUs granted in 2010 vest over three years, with 25% vesting after the first year, 25% vesting after the second year and 50% vesting after the third year. The 2010 PSUs are subject to performance conditions that are equally weighted over three performance periods. The portion of PSUs vesting after the first year is subject to the following performance conditions:

- Return on Equity ("**ROE**") (60% weighting) – ROE represents the net income available to MFC common shareholders as a percentage of capital deployed to earn the income. ROE is a key performance metric of profitability, and also how effectively MFC manages shareholders' capital.
- Minimum Continuing Capital and Surplus Requirements ("**MCCSR**") ratio (40% weighting) – The MCCSR ratio is a regulatory target ratio used by the Office of the Superintendent of Financial Institutions (Canada) to evaluate the financial strength of an insurer and, in particular, its ability to meet its obligations to policyholders. Initiatives to increase the level of this ratio tends to have an offsetting impact on corresponding financial measures such as the ROE.

MFC Executive Stock Option Plan

The NEOs receive stock options under the MFC Executive Stock Option Plan ("**ESOP**"). These stock options provide the holder with the right to purchase common shares of MFC at an exercise price equal to the closing price of MFC common shares on the Toronto Stock Exchange ("**TSX**") that is the greater of the closing price on the trading day immediately preceding the date the options were granted and the average closing price for the five trading days immediately preceding the grant date. The stock options vest over a period not exceeding four years and expire not more than 10 years from the date of grant. Stock options are issued in February of each year. Stock option target awards are reviewed annually by the MFC Management Resources and Compensation Committee based on the median target for relevant MFC peer companies. Unvested stock options terminate in cases of early retirement, resignation or termination without cause. All stock options terminate in cases of termination for cause. Stock options are non-transferable except in cases of death, where they may be passed on to a beneficiary or an estate.

MFC stock options with an exercise price of \$19.48 were granted on February 23, 2010. These options have a maximum exercise period of 10 years and vest at a rate of 25% per year, with the first 25% vesting one year after the grant date.

Pension

The employees of the Manager, including the NEOs, take part in the MFC pension plans. To the extent that tax rules limit the benefits that would otherwise be provided to executives from registered pension plans, MFC may sponsor unfunded supplemental plans. Executives entitled to supplemental arrangements must comply with non-solicitation and non-competition provisions to receive full payment of their supplemental retirement benefits.

Executive Share Ownership Guidelines

Due to the structure of the Manager, there are currently no share ownership guidelines in place for the NEOs.

Benefits and Perquisites

The Manager offers group life, health and dental insurance, paid time off and other benefits to all employees of the Manager.

Perquisites are also provided to NEOs in the form of Executive Flexible Spending Accounts ("**EFSA**") which are annual allowances that are eligible to be used for a number of personal expenditures such as car leases and club memberships.

Summary Compensation Table

The following table provides information concerning compensation awarded to, earned by, paid to or payable to the NEOs in the years ended December 31, 2008, 2009 and 2010:

Summary Compensation Table⁽¹⁾

Name and principal position	Year	Salary (\$)	MFC Share-based Awards ⁽²⁾ (\$)	Trust Unit-based awards ⁽³⁾ (\$)	MFC Option-based awards ⁽⁴⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation ⁽⁶⁾ (\$)	Total compensation (\$)
						Annual incentive plans ⁽⁵⁾	Long term incentive plans			
Andrew B. Wiswell President and Chief Executive Officer	2010	299,250	83,790	359,100	35,910	194,513	-	51,331	19,618	1,043,511
	2009	276,450	85,554	154,230	36,666	270,630	-	32,115	18,181	873,826
	2008	273,084	85,260	153,700	36,540	116,000	-	45,680	18,119	728,383
Keith A. Steeves Vice President, Finance & Chief Financial Officer	2010	196,466	46,305	228,548	19,845	102,162	-	26,660	19,618	636,603
	2009	174,600	64,602	98,940	22,698	139,680	-	16,110	18,181	534,811
	2008	174,000	52,780	98,600	22,620	67,860	-	22,140	18,119	456,119
Marlon J. McDougall Vice President, Operations & Chief Operating Officer	2010	196,466	46,305	228,548	19,845	86,445	-	26,698	19,618	623,924
	2009	172,854	48,888	97,194	20,952	114,343	-	5,704	18,181	478,116
	2008	161,096	48,720	89,900	20,880	49,300	-	5,289	18,119	393,304
John C. Koyanagi ⁽⁷⁾ Vice President, Business Development	2010	165,375	38,588	176,400	16,538	75,246	-	22,218	16,468	510,831
	2009	145,500	-	145,500	-	99,813	-	4,364	15,271	410,449
	2008	31,323	n/a	n/a	n/a	7,540	-	759	3,190	42,812

Notes:

- (1) The above table discloses the proportion of total NEO compensation that the Trust reimbursed the Manager for. The Manager allocated G&A expenses to the Trust and MFC based on relative production levels. For 2008, the relative proportion of NEO compensation charged to the Trust was 58.0%. For 2009, the relative proportion of NEO compensation charged to the Trust was 58.2%. For 2010, the relative proportion of NEO compensation charged to the Trust was 63.0%.
- (2) Amounts shown represent the grant value of MFC RSUs awarded in February 2008, February 2009 and February 2010, based on the closing price of MFC common shares on the TSX on the day preceding grant date. The vesting for these RSUs is dependent upon the achievement of an established performance condition.
- (3) Amounts shown are the value granted of the Trust's Restricted Trust Units ("RTUs") and Performance Trust Units ("PTUs") in 2008, 2009 and 2010, based on fair value at the date of issue (calculated as the weighted average of the Trust trading price on the TSX for the first 20 trading days in January 2008, January 2009 and January 2010, respectively).
- (4) Represents MFC ESOP options calculated using a grant price of \$37.71 for 2008, \$15.67 for 2009 and \$19.48 for 2010 and a Black-Scholes factor of 19.6% for 2008, 22% for 2009 and 25.6% for 2010. The Black-Scholes factor was calculated using the following variables: (a) expected life of the options; (b) expected volatility of MFC's common share price; (c) risk-free interest rate; and (d) expected dividend yield of the MFC's common shares issued in February 2008, February 2009 and February 2010.
- (5) Annual incentive amounts (STIP) are paid in cash in the year following the fiscal year in which they were earned.
- (6) All Other Compensation includes perquisites under the NEO EFSA and parking.
- (7) Mr. Koyanagi joined the Manager in October 2008.

Incentive Plan Awards

The following table sets forth information regarding all MFC option-based awards and MFC common share-based awards outstanding as at December 31, 2010 for each NEO.

Outstanding MFC Option-Based Awards and Share-Based Awards⁽¹⁾

Name	MFC Option-based Awards				MFC Common Share-based Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽²⁾ (\$)	Number of Shares or Units that have not vested ⁽³⁾ (#)	Market or Payout Value of Share-based awards that have not vested ⁽⁴⁾ (\$)	
						Minimum ⁽⁵⁾	Target ⁽⁵⁾
Andrew B. Wiswell	1,959	40.38	February 16, 2017	0	0	0	0
	5,370	37.71	February 20, 2018	0	0	0	0
	11,513	15.67	February 18, 2019	17,040	4,433	0	76,020
	7,201	19.48	February 23, 2020	0	4,302	0	73,773
Keith A. Steeves	3,325	37.71	February 20, 2018	0	0	0	0
	7,127	15.67	February 18, 2019	10,548	2,744	0	47,054
	3,980	19.48	February 23, 2020	0	2,377	0	40,765
Marlon J. McDougall	3,069	37.71	February 20, 2018	0	0	0	0
	6,579	15.67	February 18, 2019	9,737	2,533	0	43,445
	3,980	19.48	February 23, 2020	0	2,377	0	40,765
John C. Koyanagi	3,316	19.48	February 23, 2020	0	1,981	0	33,969

Notes:

- (1) The Manager allocated G&A expenses to the Trust and MFC based on relative production levels. For 2008, the relative proportion of NEO compensation charged to the Trust was 58.0%. For 2009, the relative proportion of NEO compensation charged to the Trust was 58.2%. For 2010, the relative proportion of NEO compensation charged to the Trust was 63.0%.
- (2) The value of unexercised in-the-money options at December 31, 2010 is equal to the difference between the exercise price of the options and the closing price of the MFC common shares on the TSX reported on December 31, 2010, which was \$17.15 per MFC common share.
- (3) As of December 31, 2010, no outstanding RSUs (from 2009 and 2010) had any performance conditions. Mr. Wiswell has outstanding PSUs with performance conditions and the number of PSUs not vested is based on a target performance factor of 100%.
- (4) The market value of or payout value of RSUs that have not vested is based on the closing price of MFC common shares on the TSX on December 31, 2010, which was \$17.15 per MFC common share.
- (5) As of December 31, 2010, outstanding RSU grants (from 2009 and 2010) are subject to performance conditions. Mr. Wiswell has outstanding PSUs with performance conditions and the minimum payout based on these performance conditions is \$0. In the interest of enhanced disclosure, the target payout is included.

The following table sets forth information regarding all Trust Unit-based awards outstanding as at December 31, 2010 for each NEO.

Outstanding Trust Unit-Based Awards⁽¹⁾

Name	Grant Date	Trust Unit-based Awards – Trust RTUs and PTUs		
		Number of Common Shares or Trust Units that have not vested ⁽³⁾ (#)	Market or Payout Value of Share-based awards that have not vested (\$)	
			Minimum ⁽²⁾	Target ⁽³⁾
Andrew B. Wiswell	January 1, 2009	20,409	0	264,303
	January 1, 2010	26,003	0	336,734
Keith A. Steeves	January 1, 2009	12,219	0	158,242
	January 1, 2010	15,998	0	207,169
Marlon J. McDougall	January 1, 2009	11,575	0	149,896
	January 1, 2010	15,722	0	203,604
John C. Koyanagi	January 1, 2009	17,329	0	224,408
	January 1, 2010	12,134	0	157,141

Notes:

- (1) The Manager allocated G&A expenses to the Trust and MFC based on relative production levels. For 2008, the relative proportion of NEO compensation charged to the Trust was 58.0%. For 2009, the relative proportion of NEO compensation charged to the Trust was 58.2%. For 2010, the relative proportion of NEO compensation charged to the Trust was 63.0%.
- (2) A performance factor of zero is applied to the value of the PTUs if the performance threshold is not reached. RTUs are valued based on unit trading price.
- (3) The value of RTUs and PTUs not vested is based on the closing price of Trust Units on December 31, 2010 (\$12.95 per Trust Unit) and a performance factor of 1.0 (relative total unitholder return compared to the peer group of all conventional oil and gas trusts).

The following table sets forth the dollar value that would have been realized if options had been exercised on the vesting date and the dollar value realized upon vesting of share-based award during the year ended December 31, 2010 in addition to payouts on non-equity incentive plan compensation for each NEO.

Incentive Plan Awards – Value Vested or Earned During 2010⁽¹⁾

Name	Option-based awards – Value vested during the year ⁽²⁾ (\$)	Trust Unit-based awards – Value vested during the year ⁽³⁾ (\$)	Non-equity incentive plan compensation – Value earned during the year ⁽⁴⁾ (\$)
Andrew B. Wiswell	4,260	497,723	194,513
Keith A. Steeves	2,637	322,729	102,162
Marlon J. McDougall	2,434	278,435	86,445
John C. Koyanagi	n/a	23,235	75,246

Notes:

- (1) The Manager allocated G&A expenses to the Trust and MFC based on relative production levels. For 2008, the relative proportion of NEO compensation charged to the Trust was 58.0%. For 2009, the relative proportion of NEO compensation charged to the Trust was 58.2%. For 2010, the relative proportion of NEO compensation charged to the Trust was 63.0%.
- (2) Represents the total value of stock options that vested during 2010. The value is equal to the difference between the exercise price of the options and the closing price of MFC common shares on the TSX reported on the vesting date.
- (3) The total value of MFC RSUs and Trust RTUs and PTUs that vested and paid during 2010.
- (4) Represents annual incentive plan (STIP) awarded for fiscal 2010 and paid in 2011.

Pension Plan Benefits

All of the NEOs participate in both the MFC Defined Contribution Pension Plan (the "**DCP Plan**") and the MFC Executive Supplemental Defined Contribution Plan (the "**ESDC Plan**").

Under the DCP Plan, NEOs and the Manager both contribute a percentage of pensionable earnings. Base contributions are two percent for participants and three percent for the Manager. Additional optional contributions may be made by NEOs. These optional amounts range from 0.5% to 5% of pensionable earnings. The Manager matches contributions at a level of 50% of the optional contribution made by the NEO, after the first year of employment. Pensionable earnings are defined as base salary plus STIP. All contributions made in a year are limited (in aggregate) to the tax deductible defined contribution limit under the *Income Tax Act* (Canada) for that year (\$22,450 in 2010). The NEO directs the investment of all contributions and is provided with a broad array of investment options. Vesting of both the NEOs and the Manager's contributions is immediate. At retirement, the accumulated value of the account may either be transferred to a locked in retirement vehicle or used to purchase a life annuity.

The ESDC Plan is a non-contributory and unfunded plan which is not registered for tax purposes. The plan provides benefits on pensionable earnings above the level at which the tax deductible defined contribution limit under the *Income Tax Act* (Canada) is reached. This annual earnings threshold was \$179,600 in 2010. A credit equal to 10% of pensionable earnings above the annual earnings threshold is granted by the Manager each year and is allocated to a notional account. Investment income is notionally credited to the account based on the investment performance of a limited number of investment options, as selected by the NEO. This credit allocation vests immediately. At retirement, the accumulated value of the notional account may be taken as installment payments over a period of years or, with Manager consent, may be withdrawn in a single lump sum.

Under the ESDC Plan, all NEOs are bound by a non-solicit provision that applies during the 24 month period following the date of termination or retirement. Should an executive breach these provisions, the full amount of the pension benefits due under the supplemental plan may be forfeited.

Pension Values⁽¹⁾

Name	Accumulated Value at December 31, 2009 (\$)	2010 Compensatory (\$)		2010 Non- Compensatory ⁽⁵⁾ (\$)	Accumulated Value at December 31, 2010 (\$)
		Service Cost ⁽³⁾	Other ⁽⁴⁾		
Andrew B. Wiswell ⁽²⁾	205,725	51,331	0	33,949	291,005
Keith A. Steeves ⁽²⁾	62,951	26,660	0	11,457	101,068
Marlon J. McDougall ⁽²⁾	36,030	26,698	0	17,106	79,834
John C. Koyanagi ⁽²⁾	10,754	22,218	0	12,664	45,636

Notes:

- (1) The Manager allocated G&A expenses to the Trust and MFC based on relative production levels. For 2008, the relative proportion of NEO compensation charged to the Trust was 58.0%. For 2009, the relative proportion of NEO compensation charged to the Trust was 58.2%. For 2010, the relative proportion of NEO compensation charged to the Trust was 63.0%.
- (2) Amounts shown include the benefits under the DCP Plan and the ESDC Plan. Messrs. McDougall and Koyanagi began to participate in the ESDC Plan as of January 1, 2010.
- (3) The service cost shown under the "2010 Compensatory" column is the aggregate of those amounts contributed, and those amounts notionally credited, by the Manager to each NEO's accounts under the plans during 2010 and is based on base salary and STIP paid in 2010.
- (4) Other values shown, if any, under the "2010 Compensatory" column reflect the impact of any plan amendments and of above-market or preferential notional investment income credited on account balances. There are no such above-market or preferential notional credits provided under the MFC plans.
- (5) The 2010 Non-Compensatory value includes any contributions made to the plans by the NEOs and all investment income credited during the year on the account balances.

Termination and Change of Control Benefits

In 2006, the Manager implemented executive employment agreements (the "**2006 Agreements**") for senior executive officers, specifically the CEO, CFO, and COO. The 2006 Agreements identify the types of compensation arrangements that these named executives are eligible to participate in, which are discussed above. In addition, 2006 Agreements list the circumstances that may result in termination of employment and provides the remedies for each circumstance.

Conditions of Termination

Death

In the event of death, the executive's estate is entitled to receive payment for all annual base salary, benefits and accrued but unused vacation up until the date of death. All unvested but previously awarded LTIP grants shall immediately vest using the actual value at the date of death, and paid to the estate. An STIP payment will be made prorated to the date of death, valued based on a two-year historical personal and corporate performance multiple.

Retirement

Employment will terminate on the executive's 65th birthday (the "**Retirement Date**"). Payment for regular salary and benefits will be made up to the date of retirement and existing LTIP grants will vest and be paid on their regularly scheduled dates. The STIP will be prorated to the date of retirement and valued based on a two-year historical personal and corporate performance multiple.

Resignation

Notice required by the CEO or CFO is three months. The COO is required to provide two months notice. No further compensation is payable to the NEO at or after the date of the termination of employment.

Termination for Cause

The Corporation may terminate the employment of the NEO for cause, without any notice or further obligation to the NEO.

Termination of Employment Without Cause

For all three 2006 Agreements, this clause is exercised if the Corporation terminates the NEO without cause or if the executive chooses to exercise their "Good Reason" clause within 60 days of the good reason having occurred.

Termination arrangements include: payment equal to one year of annual compensation (two years for the CEO), EFSA of \$25,000 per year for one year (two years for the CEO), access to life, medical, dental and accident insurance as currently available under the benefits plan for one year or until alternative benefit coverage occurs (two years for the CEO), a payment for relocation, financial or employment counseling to a maximum of \$15,000 which commences within six months of termination and is concluded within 12 months of termination. As well, no further LTIP units will be awarded but all unvested and previously awarded grants will vest and be paid on the regularly scheduled dates for one year following the effective date of termination (two years for the CEO).

The 2006 Agreements define "Good Reason" as any adverse change to the Manager or its successor in title and, without the agreement of the NEO, in any of the duties, powers, rights, discretions, salary, title or lines of reporting of the NEO (or such changes in the Manager that result in a material change or diminishment in the size, scope or nature of the business conducted by the Manager), such that immediately after such change or series of changes, the responsibilities and status of the NEO, taken as a whole, are not at least substantially equivalent to those assigned to him immediately prior to such change, or any other reason which would be considered to amount to constructive dismissal by a court of competent jurisdiction.

Termination Due to Disability

In the event of suffering a permanent disability, employment of the NEO may be terminated with 30 days' written notice. Payment of one times annual base salary plus target bonus will be made. All benefits will continue, including any eligibility for the Manager's long term disability plan. No further LTIP grants will be issued to the NEO but existing grants will vest on the regularly scheduled vesting dates for all prior grants.

Clarification of Change of Control

On November 1, 2010, the Manager entered into letter agreements (the "**Letter Agreements**") with each of the CEO, CFO and COO to clarify certain provisions of the 2006 Agreements. Among other things, the Letter Agreements clarify that the events or changes which may constitute a change of control or "Good Reason" under the 2006 Agreements include:

- (i) a termination of the Administrative Services Agreement or any amended and restated management agreement or administrative services agreement entered into in replacement thereof; or
- (ii) the acquisition of all or substantially all of the Common Shares by a third party, the conversion of the Corporation from a public company to a private company, the acquisition of all or substantially all of the assets of NAL by any third party, or the direct or indirect acquisition of all or substantially all of the assets of NAL or Common Shares of the Corporation by MFC.

Other

On October 3, 2008, the Manager entered into an executive employment agreement with the VP, BD. The agreement provides for termination of employment without cause and the payment of no less than the equivalent of 12 months' base salary to the VP, BD in the event of any such termination.

Director Compensation

During the financial year ended December 31, 2010, the Corporation paid remuneration to its directors in the aggregate amount of \$460,249 (excluding expenses and the value of DSUs granted as described below). Annual retainers for membership on the Board and any of the standing Board Committees are paid to directors quarterly and are prorated for partial service. The director's remuneration payable to Mr. Eeuwes, who is employed by MFC, is paid to Manulife. The following is a list of annual retainer and meeting fees for the directors (with the exception of Mr. Wiswell, who is employed by the Manager and does not receive any remuneration in his capacity as a director of the Corporation):

Type of Fee	Amount
Annual Board Retainer	\$25,000
Additional Retainers:	
Board Chairman	\$35,000
Corporate Governance, Environment, Health & Safety Committee Chairman	\$10,000
Audit and Risk Management Committee Chairman	\$15,000
Reserves Committee Chairman	\$10,000
Independent Committee Chairman	\$8,000/month
Independent Committee Member	\$4,000/month
Meeting fees per Board meeting or Board Committee meeting attended	\$1,500

New DSU Plan

Effective December 31, 2010, the Corporation adopted a Deferred Share Unit Plan (the "**New DSU Plan**"). Under the New DSU Plan, a certain percentage, determined by resolution of the Board, of the annual retainer payable to directors will automatically be satisfied in the form of 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 DSUs) in the form of DSUs. The number of 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 DSUs (generally the last business day of each quarter).

In addition to DSUs granted in respect of the automatic DSU retainers and the electable DSU retainers, the Corporate Governance, Environment, Health & Safety Committee or the Board may grant further "discretionary" DSUs to an eligible director in such number as it considers appropriate, in respect of the services the director renders to the Corporation as a member of the Board. The following is a summary of the principal terms of the New DSU Plan which is provided pursuant to the requirements of Section 613 of the TSX Manual.

Eligibility

All directors who are not employees of the Corporation are eligible to participate in the New DSU Plan.

Purpose

The New DSU Plan was designed for the purpose of advancing the interests of the Corporation by increasing the proprietary interests of directors in the Corporation, aligning the interests of participants with the interests of the Shareholders generally, encouraging participants to remain associated with the Corporation and furnishing participants with an additional incentive in their efforts on behalf of the Corporation.

Deferred Share Units

Each DSU is a phantom unit granted to a director that is accounted for on the books of the Corporation and recorded in the director's DSU account (the "**DSU Account**") and is equal to the value of one Common Share for each DSU at the time of grant. Cash payments in respect of redeemed DSUs are equal to the number of DSUs recorded in the director's DSU Account on the payment date multiplied by the weighted average trading price of the Common Shares on the TSX of the five days trading immediately preceding the payment date.

Administration

Unless otherwise determined by the Board, the New DSU Plan is administered by the Corporate Governance, Environment, Health & Safety Committee.

Number of Common Shares Issued and Issuable

There is currently a maximum of 1,479,800 Common Shares that may be issued pursuant to the New DSU Plan, representing 1% of the issued and outstanding Common Shares.

Grants of DSUs

As at December 31, 2010, no Common Shares were issuable upon the exercise of DSUs granted under the New DSU Plan and credited to the respective DSU Accounts of non-Management Directors.

Maximum Issuable to One Person

The New DSU Plan does not provide for a maximum number of Common Shares which may be issued to a director pursuant to the New DSU Plan.

Vesting

Each DSU granted under the New DSU Plan will be fully vested upon being credited to a director's DSU Account. Each director is entitled to payment of such DSUs on ceasing to be a director of the Corporation or an affiliate, and such entitlement shall not be subject to satisfaction of any requirements as to any minimum period of membership on the Board.

Ceasing to be a Director

If a director shall cease to be a director of the Corporation for any reason, including death, the value of the DSUs credited to such directors' DSU Account, shall be redeemable by such director (or in the case of death, by their beneficiary).

Assignability

Rights and obligations under the New DSU Plan may be assigned by the Corporation to a corporate successor in the business of the Corporation, any corporation resulting from any amalgamation, reorganization, combination, merger or arrangement of the Corporation, or any corporation acquiring all or substantially all of the assets or business of the Corporation.

Amendment

The New DSU Plan may be amended at any time by the Board as it deems necessary or appropriate without Shareholder approval. However if the amendment will adversely affect the rights of a director with respect to DSUs already acquired under the New DSU Plan, the Board will only be able to amend the New DSU Plan with the consent of such director. Any amendments to the New DSU Plan will be subject to the rules, regulations and policies of the TSX or any other stock exchange that the Common Shares are listed or traded on.

Original DSU Plan

In 2006, NAL Properties Inc. ("**NAL Properties**") established a Deferred Share Unit Plan (the "**Original DSU Plan**"). The Original DSU Plan provided for the board of directors of NAL Properties to determine annually the amount of DSUs to be granted to directors. All of the directors of the Corporation were also directors of NAL Properties, but only the independent directors of NAL Properties were eligible to participate in the Original DSU Plan. All grants of DSUs made under the Original DSU Plan are settled in cash. The Original DSU Plan was amended on December 31, 2010 to reflect the conversion of the Trust from an income trust structure to a corporate structure. The Original DSU Plan will remain in effect until such time as all DSUs granted under the Original DSU Plan have been redeemed but no further DSUs will be granted under its terms. All grants of DSUs made on or after December 31, 2010 will be made under the New DSU Plan.

Compensation of the Directors

The following table sets out all compensation awarded to, earned by, paid to or payable to each director of the Corporation excluding, Mr. Andrew B. Wiswell, during the year ended December 31, 2010. For information on compensation paid to Mr. Wiswell, please see the Summary Compensation Table above.

Director Compensation Table

Name	Fees earned (\$)	Trust Unit-based awards⁽¹⁾ (\$)	Option-based awards⁽¹⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value⁽²⁾ (\$)	All other compensation (\$)	Total compensation (\$)
J. Charles Caty ⁽³⁾	37,000	75,000	-	-	-	-	112,000
William J. Eeuwes ⁽⁴⁾	40,000	Nil	-	-	-	-	42,000
Donald R. Ingram	71,833	71,250	-	-	-	-	143,083
Kelvin B. Johnston ⁽³⁾	43,583	Nil	-	-	-	-	43,583
Irvine J. Koop	107,833	45,000	-	-	-	-	152,833
Gordon S. Lackenbauer	79,500	45,000	-	-	-	-	124,500
Barry D. Stewart	80,500	45,000	-	-	-	-	125,500

Notes:

- (1) As of December 31, 2010, the Trust had not granted any option-based awards to members of the Board.
- (2) As of December 31, 2010, the Trust had not adopted any retirement plan, pension plan or deferred compensation plan for members of the Board.
- (3) Mr. Caty did not stand for re-election in 2010 and on May 19, 2011, Mr. Johnston was elected in his place.
- (4) Mr. Eeuwes' director's fees were paid to MFC.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board and senior Management consider good corporate governance to be central to the effective operation of the Corporation. The Corporation's corporate governance practices have been established pursuant to the Administrative Services Agreement and with reference to the provisions of National Policy 58-201 - *Corporate Governance Guidelines* ("NP 58-201"). The Corporation is committed to a high standard of corporate governance. The Board is of the view that its approach to corporate governance is appropriate and complies with the objectives and guidelines relating to corporate governance set forth in NP 58-201.

In order to ensure that it maintains high standards of corporate governance in a rapidly changing environment, the Board routinely evaluates and enhances mandates, guidelines, policies and procedures relating to its corporate governance practices by monitoring regulatory developments affecting corporate governance and the transparency of public company disclosure.

Set forth below is a description of certain corporate governance practices of the Corporation, as required by National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Board of Directors

The Board has adopted governance guidelines consistent with NP 58-201 which recommends that boards of directors of reporting issuers consist of a majority of independent directors.

The Board currently consists of seven directors who provide a wide diversity of business experience. Five of the members of the Board have been determined to be independent. The five independent directors are Mr. Koop, the Chairman of the Board, and Messrs. Ingram, Johnston, Lackenbauer and Stewart. Each of these directors has no direct or indirect material relationship with the Corporation, including any business or other relationship, which could reasonably be expected to interfere with the director's ability to act with a view to the best interests of the Corporation or which could reasonably be expected to interfere with the exercise of the director's independent judgment.

Mr. Wiswell is not considered by the Board to be independent within the meaning of NP 58-201 as he is currently the President and CEO of the Corporation and the Manager. Similarly, Mr. Eeuwes is not considered to be independent by the Board as he is the Senior Vice President & Managing Director of Manulife Capital and thereby an officer and employee of MFC, of which the Manager is an indirect wholly-owned subsidiary.

See "Matters to be Considered at the Meeting – Election of Directors" for additional information on each director and nominee for election to the Board, including a list of the directorships which they hold and their attendance at meetings of the Board and Board Committees.

The Corporation has taken steps to ensure that adequate structures and processes are in place to permit the Board to function independently of Management. The independent directors hold *in camera* sessions at all meetings of the Board without Management or non-independent directors being present. Similar sessions are held, as necessary, during meetings of Board Committees.

The Board has adopted a retirement policy which requires members of the Board to retire as directors of the Corporation at the annual general meeting of the Shareholders of the Corporation next following their 72nd birthday.

Board Mandate

The Board has responsibility for the overall stewardship and governance of the Corporation and its subsidiaries. The Board discharges this responsibility directly and indirectly through the delegation of specific responsibilities to Board Committees, the Chairman of the Board, the officers of the Corporation and the Manager, all as more particularly described in the Mandate of the Board adopted by the Board. The Mandate provides that the primary responsibilities of the Board are to (i) approve the strategy of NAL to ensure the long-term success of NAL, (ii) oversee the business and affairs of NAL in accordance with the terms of applicable agreements and all applicable laws and (iii) monitor the Manager to ensure that it meets its duties and responsibilities under the Administrative Services Agreement. The Board is also responsible for developing NAL's approach to governance.

The Board has established three standing Board Committees to assist with its responsibilities: the Audit and Risk Management Committee, the Reserves Committee and the Corporate Governance, Environment, Health & Safety Committee. Each Board Committee has a charter defining its responsibilities and such charters can be found on the Corporation's website at www.nalenergy.com.

The Mandate of the Board is attached as Appendix "A".

Position Descriptions

The Board has adopted written position descriptions for the Chairman of the Board, the Chair of each of the Audit and Risk Management Committee, the Corporate Governance, Environment, Health & Safety Committee, the Reserves Committee and the President and CEO of the Corporation.

The primary responsibilities of the Chairman of the Board include (i) ensuring that the Board is organized properly, functions effectively and meets its oversight obligations and responsibilities in all aspects of its work and (ii) working with the President and CEO of the Corporation and the Manager to coordinate the affairs of the Board and ensure effective relations with the members of the Board, Management and Shareholders. Mr. Koop, the Chairman of the Board, is a non-executive independent director of the Board.

The responsibilities of the Chair of each Board Committee include ensuring that their respective committee is organized properly, functions effectively and meets its obligations and responsibilities in accordance with its mandate and reporting to the Board on any decision or recommendation of their committee.

The primary responsibilities of the President and CEO of the Corporation include (i) providing overall leadership and vision in developing, in concert with the members of the Board, the strategic direction of NAL and the tactics and business plans necessary to realize NAL's objectives and (ii) managing the overall business to ensure strategic and business plans are effectively implemented, results are monitored and reported to the Board, and financial and operational objectives are attained.

Director Skills and Experience

As the Board derives its strength from its members, the Board believes that the directors of the Corporation should have an appropriate mix of skills, knowledge and experience in business and a history of achievement. The Board believes that its members represent a cross-section of business and industry experiences that are critical for effective oversight and strategy development. The Chairman of the Board, the Board and the Corporate Governance, Environment, Health & Safety Committee establish criteria for the evaluation of the Board and its directors and oversee the annual evaluation of the Board and directors, with a view to assessing the effective operation of the Board and breadth of the competencies, skills and personal qualities of the current directors.

Orientation and Continuing Education

The orientation and continuing education of the members of the Board is the responsibility of the Corporate Governance, Environment, Health & Safety Committee. The details of the orientation of new directors to the Board are tailored to their needs and areas of expertise and include the delivery of written materials and participation in meetings with senior Management and directors. The focus of the orientation program is on providing new directors with: (i) information about the duties and obligations of directors and the role of the Board, the Board Committees and the directors; (ii) information about NAL's business and operations; (iii) the expectations of directors (including, in particular, expectations of time and energy); (iv) opportunities to meet with senior management of the Manager; and (v) access to documents from recent meetings of the Board.

The directors of the Corporation have all been chosen for their specific level of knowledge and expertise. All directors have been provided with materials relating to their duties, roles and responsibilities. In addition, directors are kept informed as to matters impacting, or which may impact, the Corporation's operations through reports and presentations by internal and external presenters at meetings of the Board and during periodic strategy sessions held by the Board. Special presentations on specific business operations are also provided to the Board. Directors periodically take part in site visits to wellsites and facility locations in the field to observe for themselves NAL's operations. In addition, NAL has formally adopted a policy whereby each director is permitted to recover the cost, up to a maximum of \$3,000, of any continuing education courses, conferences or similar events intended to assist them in performing their duties as members of the Board, with additional amounts being subject to the approval of the Chair of the Corporate Governance, Environment, Health & Safety Committee.

Assessments

The Corporate Governance, Environment, Health & Safety Committee, through a peer review process, assesses the performance of the Board as a whole, the Board Committees and all directors. Such assessment occurs annually with an emphasis on the overall effectiveness and contributions made by the Board as a whole, the Board Committees and all directors individually. Evaluations include the completion of written questionnaires and effectiveness surveys by directors and individual interviews with each director by the Chairman of the Board. The results of such assessments and surveys are summarized and presented by the Chairman of the Board and the Corporate Governance, Environment, Health & Safety Committee to the full Board. In assessing the responses to the questionnaires and surveys, the Board focuses on continuous improvement, effectiveness, performance and addressing gaps in skills and experience. Matters requiring attention are identified, action plans are developed to the extent necessary and the Corporate Governance, Environment, Health & Safety Committee monitors to ensure follow through and satisfactory results.

Ethical Business Conduct

The Board has adopted a written Code of Business Conduct (the "**Code**") applicable to all directors, officers, employees and consultants of NAL and the Manager. The Code sets out in detail the core values and principles by which the Corporation is governed and addresses topics such as compliance with laws, rules and regulations, confidentiality, conflicts of interest, corporate opportunities, inducements and gifts, political, cultural and charitable activities and contributions, outside business interests, fair dealing, insider trading, the protection and proper use of assets and discrimination and harassment.

The Code is available on the Corporation's website at www.nalenergy.com and has been filed on SEDAR at www.sedar.com. No waivers have been granted from any provision of the Code and no material change report has been filed by the Corporation pertaining to the conduct of any director or executive officer of the Corporation that constitutes a departure from the Code. Waivers of the Code for individuals other than officers and directors may be granted only by the President and CEO or the CFO of the Corporation. Any waiver of this Code for officers or directors may only be made by the Board.

Compliance with the Code is mandatory and prompt reporting of possible violations is encouraged. Personnel can make anonymous inquiries or report problems via the internet, telephone, fax or mail. Personnel are encouraged to provide as much information as possible including names, dates, places and events that took place. Potential violations may be reported to a member of Management or to the Chairman of the Audit and Risk Management Committee. The Board monitors compliance with the Code by receiving quarterly reports with respect to any matters that have arisen under the Code. The Corporation will promptly investigate all issues or concerns raised related to possible violations of the Code. Once a Code violation is reported, the Corporation will conduct a confidential investigation for appropriate action, discipline or corrective action. All directors, officers and employees are expected to cooperate with investigations of potential violations of the Code.

The Board has established policies on disclosure and insider trading for the Corporation, in order to promote appropriate disclosure practices aimed at informative, timely and broadly disseminated disclosure of material information to the market in accordance with applicable securities legislation. The Board has also approved a whistle-blower policy to promote the disclosure of concerns regarding accounting, internal controls or auditing matters.

In order to ensure independent judgment in considering transactions and agreements in which a director or officer of the Corporation has a material interest, all related party transactions and any payments arising from such transactions are approved by directors which are independent or unrelated to the transaction.

Nomination of Directors

The responsibility for proposing new nominees for the Board falls within the mandate of the Corporate Governance, Environment, Health & Safety Committee. The Corporate Governance, Environment, Health & Safety Committee is comprised of Mr. Ingram, as Chairman, Mr. Stewart and Mr. Lackenbauer, all of whom are independent. The Corporate Governance, Environment, Health & Safety Committee considers qualified candidates identified to them by members of the Board and Management. New candidates for nomination to the Board are evaluated based on their qualities and skills and are selected having regard to the strengths and constitution of the Board and the needs of the Board. The Corporate Governance, Environment, Health & Safety Committee is

responsible for determining the size of the Board and its composition, identifying the skills, experience and qualities required by the Board to discharge its oversight responsibilities, organizing the process for recruiting new members of the Board and providing orientation to such members and structuring the membership and chairmanship of Board Committees.

Compensation

The compensation payable to the Corporation's officers and employees is set by the Manager. The Corporation does not have any employees and does not compensate its officers. The Corporation reimburses the Manager for its G&A expenses pursuant to the Administrative Services Agreement, including those expenses of the Manager's employees who provide services to the Corporation. As the Manager's employees do not devote all of their time to the Corporation's business, the Corporation reimburses the Manager for those services on a relative unit of production basis. Please see "Executive Compensation – Executive Compensation Discussion and Analysis" and "Executive Compensation – Administrative Services and Cost Sharing Agreement" for more information describing the relationship between the Corporation and the Manager.

As a result of the arrangement described above, the Corporation does not have a Compensation Committee. However, in order to address compensation matters that are specific to the Corporation and not provided by the Manager, the Board has delegated those functions to the Corporate Governance, Environment, Health & Safety Committee, which is comprised entirely of independent directors. The Corporation Governance, Environment, Health & Safety Committee is responsible for the following compensation matters: (i) reviewing the remuneration payable to the directors; (ii) overseeing the Corporation's long term incentive plans; and (iii) reviewing the executive compensation disclosure in this Circular.

In respect of the Corporation's directors, the Corporate Governance, Environment, Health & Safety Committee annually reviews the compensation payable to the directors. The level of remuneration paid to directors is designed to provide a competitive level of remuneration relative the comparable energy corporations.

Board Committees and their Mandates

Presently, there are three standing Board Committees being: the Audit and Risk Management Committee, the Corporate Governance, Environment, Health & Safety Committee and the Reserves Committee.

Audit and Risk Management Committee

The Audit and Risk Management Committee is comprised of Mr. Lackenbauer, as Chairman, and Messrs. Ingram, Johnston, Koop and Stewart, all of whom are independent and financially literate for purposes of Multilateral Instrument 52-110 – *Audit Committees*. The specific responsibilities of the Audit and Risk Management Committee are set out in the Audit and Risk Management Committee Charter, a copy of which can be found on the Corporation's website at www.nalenergy.com and is included in the Corporation's annual information form for the year ended December 31, 2010 which has been filed on SEDAR at www.sedar.com. The Audit and Risk Management Committee's primary role is to assist the Board in fulfilling its oversight responsibilities regarding the accuracy and completeness of the Corporation's consolidated financial statements and related management discussion and analysis, the internal control and financial reporting systems of NAL, the selection (subject to approval by Shareholders), engagement, and monitoring of the activities of the Corporation's external auditor and NAL's risk management strategy.

The Audit and Risk Management Committee met four times during 2010.

Corporate Governance, Environment, Health & Safety Committee

The Corporate Governance, Environment, Health & Safety Committee is comprised of Mr. Ingram, as Chairman, Mr. Lackenbauer and Mr. Stewart, all of whom are independent. The specific responsibilities of the Corporate Governance, Environment, Health & Safety Committee are set out in the Corporate Governance, Environment, Health & Safety Committee Charter, a copy of which can be found on the Corporation's website at www.nalenergy.com. The primary role of the Corporate Governance, Environment, Health & Safety Committee is to monitor governance standards and best practices; review the Board and Board Committee mandates; regularly assess the effectiveness of the Board as a whole; prepare the annual Statement of Corporate Governance Practices; evaluate corporate communication policies; and develop and monitor the approach of NAL to environmental, health and safety matters. In addition, the Corporate Governance, Environment, Health & Safety Committee is responsible

for recommending to the Board the names of persons to be appointed as the officers of the Corporation. The Corporate Governance, Environment, Health & Safety Committee is also responsible for reviewing and overseeing the administration of any long term incentive programs and/or any other compensation or remuneration strategies which may be adopted by the Corporation for directors, including bonus plans, option plans and profit sharing plans, and any amendments thereto.

The Corporate Governance, Environment, Health & Safety Committee met once during 2010.

Reserves Committee

The Reserves Committee is comprised of Mr. Stewart, as Chairman, and Messrs. Ingram, Johnston, Koop and Lackenbauer, all of whom are independent for purposes of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*. The specific responsibilities of the Reserves Committee are set out in the Reserves Committee Charter, a copy of which can be found on the Corporation's website at www.nalenergy.com. The Reserves Committee is responsible for assisting the Board in fulfilling its oversight responsibilities in the annual review of NAL's petroleum and natural gas reserves. The Reserves Committee also has responsibility for considering, reviewing and reporting to the Board in respect of the appointment of independent consultants to assist NAL in its annual evaluation of petroleum and natural gas reserves.

The Reserves Committee met twice during 2010.

AVAILABLE INFORMATION

Additional information relating to the Corporation is available via SEDAR at www.sedar.com. A Shareholder may obtain copies of the Corporation's annual information form for the year ended December 31, 2010, financial statements and management's discussion and analysis without charge upon written request to the Corporate Secretary of the Manager at 1000, 550 – 6th Avenue S.W., Calgary, Alberta T2P 0S2, or such materials may be accessed via the Corporation's website at www.nalenergy.com. Financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the financial year ended 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 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;

