

NAL OIL & GAS TRUST

CODE OF BUSINESS CONDUCT

Introduction

Ethical and lawful conduct is critical to developing and maintaining the business interests and reputation of NAL Oil & Gas Trust (the "Trust") and its subsidiary entities (collectively, the "NAL Group"). The NAL Group and all of its employees, consultants, officers and directors and the employees, officers and directors of NAL Resources Management Limited (the "Manager") (collectively, the "personnel") are expected to adhere to the highest ethical standards in their conduct of business for and on behalf of the NAL Group.

This Code of Business Conduct ("Code") is not intended to address every potential situation you may encounter, but it will serve as an important guideline. Because a specific act or situation is missing from this Code does not mean that it is acceptable or approved, and personnel are expected to use personal judgment in those situations to determine appropriate activities.

If you are in doubt about the appropriate course of conduct in your normal business activity, please discuss it with a member of the management group of NAL Energy Inc. (the "Corporation") or the Manager who will be happy to provide clarification.

Compliance with Laws, Rules and Regulations

All NAL Group personnel are required to comply with all applicable government laws, rules and regulations in the jurisdictions in which the NAL Group operates, both in letter and in spirit. Although you are not expected to know the details of all applicable laws, rules and regulations, you are expected to seek advice from the management of the Corporation or the Manager if you have any questions about whether the requirement applies to the situation or what conduct may be required to comply with any law, rule or regulation. Employees of the NAL Group who fail to comply with this code and applicable laws will be subject to disciplinary action by the Corporation. Employees of the Manager who fail to comply with this code and applicable laws will be subject to disciplinary action by the Manager.

Confidentiality

Personnel are to maintain the confidentiality of all internal information relating to the NAL Group or information pertaining to any of our business or potential business, except when disclosure is authorized or legally mandated.

Confidential information includes all non-public information that may be of use to competitors, or harmful to NAL Group or its customers, if disclosed. It also includes information that suppliers and customers have entrusted to us. Confidential information does not include information which is already in the public domain.

Conflicts of Interest

The NAL Group expects personnel to use all reasonable efforts to avoid situations where personal interests could conflict or could appear to conflict with duties and responsibilities or the interests of the NAL Group. A conflict of interest may occur where involvement in any activity prevents the proper performance of staff and director duties for the NAL Group or creates, or appears to create, a situation where judgment or ability to act in the best interests of the NAL Group and the NAL Group is affected.

Common examples of potential conflicts of interest include accepting gifts, favours or kickbacks from suppliers, employment by another corporation (other than the Manager), ownership of a significant part of another corporation or business, close or familiar relationships with outside suppliers (other than the Manager), passing confidential information to competitors and using or providing insider information.

During employment with the NAL Group or the Manager, employees shall not, without a waiver obtained in accordance with this Code, engage in any activity that may involve a conflict of interest of the NAL Group, or which will or could in any way harm the business, business interests or reputation of the NAL Group. Directors of the Corporation shall disclose any potential conflict of interest to the Board of Directors as a whole.

If you become aware of any material transaction or relationship that could give rise to a conflict of interest, or you are unable to determine whether a conflict of interest exists, you should report it promptly to the President and Chief Executive Officer or the Chief Financial Officer of the Corporation.

Corporate Opportunities

You are prohibited from taking for yourself opportunities that are discovered through the use of corporate property, information or position, unless the NAL Group has expressly declined to pursue the opportunity. You may not use corporate property, information, or position for personal gain, or to compete with the NAL Group directly, except as contemplated and permitted in any management agreement between the Manager and any member of the NAL Group. You owe a duty to the NAL Group to advance its legitimate interests whenever the opportunity to do so arises.

Inducements and Gifts

Offering or receiving any gift, gratuity or entertainment that might be perceived to unfairly influence a business relationship should be avoided. These guidelines apply at all times, and do not change during traditional gift-giving seasons. Unlawful or unethical behavior among personnel is not tolerated, including soliciting, accepting or paying bribes or the illicit payments for any purpose.

Personal gifts and entertainment offered by persons seeking to do business or doing business with the NAL Group may be accepted when offered in the ordinary course of a business relationship. This is generally limited to novelty or merchandise gifts of nominal value, infrequent tickets to athletic or recreational events and luncheons and dinners. However, the frequency and cost of any gifts or entertainment may not be so excessive that your ability to exercise independent judgment on behalf of the NAL Group is or may be compromised. The following list gives examples, but is not inclusive, of items that should not be accepted:

1. Gifts of more than nominal value such as jewelry or major appliances.
2. Cash payments.
3. Frequent entertainment, including free use of recreation facilities.
4. Free services, such as airplane tickets, hotel accommodations, construction and repairs.
5. Loans of any kind (except those obtained from commercial lending institutions based on the director or employee's or their immediate family's own credit ability and record).

Personnel, on behalf of the NAL Group, may not provide gifts, loans, payments of any kind, or entertainment that would not be accepted under this policy.

Political, Cultural and Charitable Activities and Contributions

The NAL Group supports the right of our employees and the employees of the Manager to participate in political, cultural and charitable activities. However, these activities (except for charitable activities sponsored by the NAL Group) should not be conducted on NAL Group time or involve the use of any NAL Group resources. Employees will not be reimbursed for any contributions which they might make acting in a personal capacity.

Outside Business Interests

The determination of whether any outside position an employee may hold is improper will depend on the facts and circumstances of each case. Your involvement in trade associations, professional societies, and charitable and similar organizations will not normally be viewed as improper. However, if those activities are likely to take substantial time from or otherwise conflict with your responsibilities to the NAL Group, you should obtain a waiver in accordance with this Code.

Fair Dealing

You should endeavor to deal fairly with the NAL Group's suppliers, customers, contractors, industry partners, competitors, employees and consultants and with other persons with whom the NAL Group does business. You should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

Protection and Proper Use of Corporation Assets

You should protect the NAL Group's assets and promote their efficient use. Theft, carelessness, and waste have a direct impact on our profitability. All corporate assets should be used for legitimate business purposes. The obligation of personnel to protect the NAL Group's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information violates NAL Group policy. It could also be illegal and result in civil or criminal penalties, in addition to disciplinary action by the Corporation or the Manager.

Records, Reporting and Disclosure

The Manager, on behalf of the NAL Group, shall make and keep books, records, and accounts which conform to high professional standards of accuracy and consistency and which, in reasonable detail, accurately and fairly reflect the NAL Group's transactions.

The NAL Group is committed to complete, accurate and balanced disclosure of material information in a timely manner and in compliance with regulatory requirements. The NAL Group is committed to balanced disclosure of both good and bad news in an effort to provide an accurate picture of its activities.

Accounting, Auditing or Disclosure Concerns

The Trust is required to provide full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to, the Alberta Securities Commission and other Canadian

securities regulatory authorities, the Toronto Stock Exchange, as well as in other public communications made by or on behalf of the Trust. All staff responsible for the preparation of the Trust's public disclosures, or who provide information as part of the process, must ensure that disclosures are prepared and information is provided honestly, accurately and in compliance with the various NAL Group disclosure controls and procedures.

All personnel have a duty to submit any good faith questions and concerns regarding questionable accounting, auditing or disclosure matters or controls. Submissions about these or similar matters must be reported to the Audit Committee of the Board of Directors of the Corporation.

No information may be concealed from the Trust's external auditors, the Board of Directors of the Corporation or the Audit Committee of the Board of Directors of the Corporation. It is illegal to fraudulently influence, coerce, manipulate or mislead an external auditor who is auditing the Trust's financial statements.

Insider Trading

If you have access to material, non-public information concerning the NAL Group, you are not permitted to use or share that information for stock trading purposes, or for any other purpose except the conduct of the NAL Group's business. All non-public information about the NAL Group is to be considered confidential information. Insider trading, which is the use of material, non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information, is not only unethical but also illegal. Violations of this prohibition against "insider trading" may subject you to criminal or civil liability, in addition to disciplinary action by the Corporation or the Manager. The Trust has a Disclosure Policy and Procedures which sets out your obligations in respect of trading in the Trust's securities.

Electronic Mail and Internet

The electronic mail system is provided for business use. It should not be used for transmission of information that conflicts with the Trust's other policies. Electronic mail is considered another form of communication, and the Trust's rules, regulations and policies for any other written communication apply to this electronic media.

Incidental and occasional personal use is permitted, but never for personal gain or any improper use. You may not access, send or download any information that could be insulting or offensive to another person, such as sexually explicit messages, cartoons, jokes, unwelcome propositions, ethnic or racial slurs, or any other message that could be viewed as harassment.

Violations of these policies may result in disciplinary action by the Corporation or the Manager.

Health, Safety and the Environment

The NAL Group is committed to safe and healthful working conditions for all personnel and third parties, and to conducting its business activities in an environmentally responsible manner.

Personnel are expected to familiarize themselves with the Manager's and the NAL Group's guidelines for environmental health and safety matters and participate fully in achieving the objectives of the guidelines.

All situations which give rise to environmental, health or safety concerns should be reported to a member of the Corporation's management group.

Discrimination and Harassment

No employee is permitted to act in a way that is considered illegal or harassing. Threats, intimidation, harassment, assaults, and other offensive conduct is unacceptable, whether verbal, physical or visual. Employees who are aware or believe that workplace harassment or discrimination has occurred should report the incident to their supervisor or any member of the Corporation's management group.

Indirect Violations

You should not indirectly, through a spouse, family member, affiliate, partner, or associate, have any interest or engage in any activity that would violate this Code if you directly had the interest or engaged in the activity.

Reporting a Possible Violation

Compliance with the Code is mandatory for all personnel and prompt reporting of possible violations is encouraged.

Personnel can make anonymous inquiries or report problems via e-mail, 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 should be reported to either your immediate supervisor, a member of the Corporation's management group or to the Chairman of the Corporation's Audit Committee.

Investigating Possible Violations

The Corporation will promptly investigate all issues or concerns raised related to possible violations of this 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 this Code.

Retaliation

It is a violation of this Code to retaliate against or take adverse actions against those who report a violation in good faith. Any employee who believes they have been subject to retaliation should contact one of the members of the Corporation's or the Manager's management group.

Waivers and Amendments

Waivers of this Code for personnel (other than officers and directors) may be granted only by the President and Chief Executive Officer or the Chief Financial Officer of the Corporation. Any waiver of this Code for officers or directors may only be made by the Board of Directors of the corporation and will be promptly disclosed to unitholders to the extent required by law, rule, regulation or stock exchange requirement.

Amendments to this Code will be publicly disclosed to the extent required by law, rule, regulation or stock exchange requirement.

Acknowledgement

All personnel will be asked to acknowledge in writing, substantially in the form of the Acknowledgement attached hereto, receiving a copy of and reading this Code, and shall comply with its provisions as a term of their appointment, office or employment, as applicable.

Approved by the Board of Directors of NAL Energy Inc. on May 2, 2006

SAMPLE OF ACKNOWLEDGEMENT

C O N F I D E N T I A L

NAL Oil & Gas Trust
NAL Energy Inc.
600, 550 - 6th Ave SW
Calgary, AB T2P 0S2

I acknowledge that I have received a copy of and have read and understand NAL Oil & Gas Trust's Code of Business Conduct (the "Code").

I agree to comply with the provisions of the Code.

Name (Please Print)

Signature

Date