



## AUDIT COMMITTEE

### MANDATE AND TERMS OF REFERENCE

#### Establishment of Committee

The board of directors (the "**Board**") of Cardinal Energy Ltd. ("**Cardinal**" or the "**Corporation**") hereby establishes a committee of the Board to be called the Audit Committee (the "**Committee**").

#### Role and Objectives

1. The purpose of the Committee is to assist the Board in fulfilling its responsibility for:
  - (a) oversight of the nature and scope of the annual audit;
  - (b) oversight of the Corporation's management ("**Management**") reporting on internal financial and accounting standards and practices;
  - (c) the review of the adequacy of Cardinal's financial information, accounting systems and procedures;
  - (d) the review of financial reporting and statements;and the Board has charged the Committee with the responsibility of recommending, for Board approval, the interim and annual audited financial statements and other mandatory disclosure releases containing financial information.
2. The primary objectives of the Committee are as follows:
  - (a) to assist the directors of the Corporation ("**Directors**") in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Cardinal and related matters;
  - (b) to facilitate communication between the Directors and external auditor;
  - (c) to strengthen the external auditor's independence;
  - (d) to strengthen the credibility and objectivity of Cardinal's financial reports; and
  - (e) to facilitate discussions and communication between Directors on the Committee, Management and the external auditor.

#### Membership of Committee

1. The Committee shall be comprised of at least three (3) Directors or all of whom shall be "independent" (as such term is used in National Instrument 52-110 – *Audit Committees* (as amended from time to time) ("**NI 52-110**") unless the Board determines that the exemption contained in NI 52-110 is available and determines to rely thereon.

2. All of the members of the Committee must be "financially literate" (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52-110.
3. The Board shall have the power to appoint the Committee Chair and other members of the Committee.

### **Specific Duties and Responsibilities**

To carry out its responsibilities, the Committee shall:

1. Oversee the work of the external auditor, including the resolution of any disagreements between Management and the external auditor regarding financial reporting.
2. Satisfy itself on behalf of the Board with respect to the integrity of Cardinal's internal control and management information systems by:
  - (a) monitoring compliance with legal, ethical and regulatory requirements including the certification process;
  - (b) review Cardinal's process for testing its internal controls;
  - (c) reviewing the external auditor's (and internal auditor if one is appointed by Cardinal) assessment of the internal controls of Cardinal, their written reports containing recommendations for improvement, and Management's response and follow-up to any identified weaknesses.
3. Review the annual and interim financial statements of Cardinal and related management's discussion and analysis ("MD&A") prior to Board approval and before Cardinal publicly discloses this information. The process should include but not be limited to:
  - (a) reviewing the appropriateness of significant accounting principles and any changes in accounting principles, or in their application, which may have a material impact on the current or future years' quarterly unaudited and annual audited financial statements;
  - (b) reviewing significant accruals, reserves or other estimates such as impairment and asset retirement obligations;
  - (c) reviewing the accounting treatment of unusual or non-recurring transactions;
  - (d) reviewing compliance with covenants under loan agreements;
  - (e) reviewing significant or unusual transactions outside of the normal course of business of Cardinal;
  - (f) reviewing disclosure requirements for commitments and contingencies;
  - (g) reviewing adjustments raised by the external auditor, whether or not included in the financial statements;
  - (h) reviewing unresolved differences or disagreements between Management and the external auditor;
  - (i) reviewing Cardinal's risk management policies and procedures including hedging policies, litigation matters, and insurance program;
  - (j) reviewing non-recurring transactions;
  - (k) reviewing significant or unusual transactions outside of the normal course of business of Cardinal

- (l) reviewing related party transactions;
  - (m) obtaining explanations of significant variances with comparative reporting periods; and
  - (n) reviewing and approving Cardinal's hiring policies regarding partners, employees and former partners and employees of Cardinal's present and former external auditor.
4. The Committee must review or be satisfied that adequate procedures are in place for the review of Cardinal's public disclosure of financial information extracted or derived from Cardinal's financial statements, including prospectuses, annual information forms and business acquisition reports, other than the public disclosures referred to in subsection (3), prior to their release, and must periodically assess the adequacy of those procedures.
5. With respect to the appointment of external auditor by the Board, the Committee shall:
- (a) recommend to the Board the appointment of the external auditor;
  - (b) recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditor and confirmation that the external auditor will report directly to the Committee;
  - (c) on an annual basis, review and discuss with the external auditor all significant relationships such auditors have with Cardinal to determine the auditor independence;
  - (d) when there is to be a change in auditor, review the issues related to the change and the information to be included in the required notice to securities regulators of such change, if required; and
  - (e) review and pre-approve any non-audit services to be provided to Cardinal or its subsidiaries by the external auditor and consider the impact on the independence of such auditor.
6. The Committee must pre-approve all non-audit services to be provided to Cardinal or its subsidiaries by the external auditor. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member complies with such other procedures as may be established by the Committee from time to time.
7. The Committee will annually review with the external auditor their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Cardinal and its subsidiaries (if any).
8. The Committee shall establish a procedure for:
- (a) the receipt, retention and treatment of complaints received by Cardinal regarding accounting, internal accounting controls or auditing matters; and
  - (b) the confidential, anonymous submission by employees of Cardinal of concerns regarding questionable accounting or auditing matters.
9. The Committee shall have the authority to investigate any financial activity of Cardinal. All employees of Cardinal are to cooperate as requested by the Committee.
10. The Committee shall meet periodically with the external auditor, independent of Management. The issues for consideration should include, but are not limited to:
- (a) obtain feedback on competencies, skill sets and performance of key members of the financial reporting team;

- (b) enquire as to significant differences from prior year period audits or reviews;
- (c) enquire as to transactions accounted for in an acceptable manner but not a basis which, in the opinion of the external auditor was not the preferable accounting treatment;
- (d) enquire as to any differences between Management and the external auditor;
- (e) enquire as to material differences in accounting policies, disclosures or presentation from prior periods;
- (f) enquire as to deficiencies in internal controls identified in the course of the performance of the procedures by the external auditor;
- (g) enquire as to any other matters or observations that the external auditor would like to bring to the attention of the Committee.

### **Meetings and Administrative Matters**

1. At all meetings of the Committee every resolution shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference.
4. The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board.
5. Meetings of the Committee should be scheduled to take place at least four times per year and at such other times as the Chair may determine. The Chief Financial Officer of Cardinal will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chair.
6. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
7. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
8. The Committee may invite such officers, directors and employees of Cardinal and its subsidiaries as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
9. Minutes of the Committee will be recorded and maintained.
10. If determined appropriate, following meetings of the Committee, a list of tasks or matters to be followed up upon shall be prepared including the time table for completion thereof and the responsibility for completion, the status of which matter shall be reviewed at the next meeting of the Committee or as otherwise determined by the Committee.

11. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at such compensation as established by the Committee and at the expense of Cardinal without any further approval of the Board.
12. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a Director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee each member will hold such office until the Committee is reconstituted.
13. Any issues arising from these meetings that bear on the relationship between the Board and Management should be communicated to the Chair of the Board or the Lead Director by the Chair.

*Approved by the Board of Directors on March 14, 2022.*