



# CARDINAL ENERGY LTD.

## 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) review of the adequacy of Cardinal's financial information, accounting systems and procedures;
  - (d) review of Cardinal's financial reporting and statements;and the Board has charged the Committee with the responsibility of recommending, for Board approval, Cardinal's interim and annual audited financial statements and related management's discussion and analysis ("**MD&A**") and, if delegated by the Board, other mandatory disclosure releases containing financial information of the Corporation.
2. The primary objectives of the Committee are as follows, to:
  - (a) 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) enhance communication between the Directors and external auditor;
  - (c) enhance the external auditor's independence;
  - (d) strengthen the credibility and objectivity of Cardinal's financial reports; and
  - (e) facilitate in-depth discussions between Directors on the Committee, Management and the external auditor.

3. The function of the Committee is one of oversight of Management and the external auditor in the execution of their responsibilities. Management is responsible for the preparation, presentation and integrity of the financial statements of the Corporation, maintaining appropriate accounting and financial reporting principles and policies and implementing appropriate internal controls and procedures. The external auditor is responsible for planning and carrying out a proper audit of the annual financial statements of the Corporation and reviewing the interim financial statements of the Corporation prior to their filing with securities regulatory authorities and other procedures.

### **Membership of Committee**

1. The Committee shall be comprised of at least three (3) Directors, all of whom shall be "independent" (as such term is used in National Instrument 52-110 – *Audit Committees* or its successor instrument (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 Chair of the Committee (the "**Committee Chair**") and the other members of the Committee.

### **Specific Duties and Responsibilities**

1. It is the responsibility of the Committee to:
  - (a) oversee the work of the external auditor, including resolution of any disagreements between Management and the external auditor regarding financial reporting;
  - (b) monitor, on behalf of the Board, the integrity of Cardinal's internal control and management information systems, including:
    - (i) material business risks; and
    - (ii) compliance with legal, ethical and regulatory requirements including the certification process;
  - (c) annually review Cardinal's process for testing its internal controls; and
  - (d) review with the external auditor (and internal auditor if one is appointed by Cardinal), on an annual basis, their 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.
2. It is the responsibility of the Committee to review the annual and interim financial statements of Cardinal and related MD&A prior to their submission to the Board for 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' interim unaudited and annual audited financial statements;
  - (b) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;

- (c) reviewing significant accruals, reserves or other estimates such as impairment and asset retirement obligations;
  - (d) reviewing the accounting treatment of unusual or non-recurring transactions;
  - (e) reviewing compliance with covenants under loan agreements;
  - (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, if any;
  - (i) reviewing Cardinal's risk management policies and procedures including hedging policies, litigation matters, and insurance programs;
  - (j) reviewing related party transactions and taking reasonable steps to ensure that the nature and extent of such transactions are properly disclosed;
  - (k) reviewing significant or unusual transactions outside the normal course of business of Cardinal;
  - (l) reviewing explanations of significant variances with comparative reporting periods; and
  - (m) reviewing and approving Cardinal's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
3. The Committee shall periodically assess and be satisfied with the adequacy of the Corporation's procedures for the review of Cardinal's public disclosure of financial information extracted or derived from Cardinal's financial statements, including earnings press releases, prospectuses, annual information forms and business acquisition reports, other than the annual and interim required filings, prior to their release.
4. With respect to the appointment of external auditor by the Board, the Committee shall:
- (a) recommend to the Board the external auditor to be nominated;
  - (b) recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditor and a confirmation that the external auditor will report directly to the Committee;
  - (c) review and discuss with the external auditor, on an annual basis, all significant relationships such auditor has with Cardinal to determine the auditor's 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 (if any) by the external auditor and consider the impact on the independence of the auditor. The Committee may delegate to one or more members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time.

5. The Committee shall:
  - (a) review with the external auditor their plan for their audit and, upon completion of the audit, their reports on the financial statements of Cardinal and its subsidiaries (if any);
  - (d) review with Management, Cardinal's, financial risk assessment and management policies and procedures (i.e. hedging, litigation, insurance and tax audits); and
  - (e) receive updates from Management with respect to information technology matters, including with respect to the Corporation's cyber security programs to address potential cyber-security risks.
6. The Committee shall establish procedures 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.
7. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements).
8. The Committee shall meet periodically with the external auditor, independent of Management. The issues for consideration should include, but are not limited to:
  - (a) obtaining feedback on competencies, skill sets and performance of key members of the financial reporting team;
  - (b) enquiring as to significant differences from prior year period audits or reviews;
  - (c) enquiring 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) enquiring as to any differences between Management and the external auditor;
  - (e) enquiring as to material differences in accounting policies, disclosures or presentation from prior periods;
  - (f) enquiring as to deficiencies in internal controls identified in the course of the performance of the procedures by the external auditor; and
  - (g) enquiring 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 not be entitled to a second or casting vote.
2. A quorum for meetings of the Committee will be a majority of its members and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board.

3. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee shall be taken. The Chief Financial Officer and Chief Executive Officer of Cardinal shall attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Committee Chair.
4. The Committee shall forthwith report the results of meetings and reviews undertaken and any associated recommendations to the Board.
5. The Committee may invite such officers, Directors and employees of Cardinal and its subsidiaries (if any) 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.
6. The Committee may retain and pay 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.
7. The Committee shall have the authority to investigate any financial related activity of the Corporation and to communicate directly with the external auditor. All employees of the Corporation are to cooperate as requested by the Committee.
8. 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 their 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.
9. Any issues arising from these meetings that relate to the relationship between the Board and Management should be communicated by the Committee Chair to the Chair of the Board or the independent lead Director.

*Last reviewed and approved by the Board effective March 20, 2024.*