

INFORMATION CIRCULAR – PROXY STATEMENT

DATED March 28, 2019



**CARDINAL**  
ENERGY LTD.

[WWW.CARDINALENERGY.CA](http://WWW.CARDINALENERGY.CA)

## WHO WE ARE

We are an oil focused Canadian company built to provide investors with sustainable yield and growth.

Management is focused on a disciplined growth plan, both financially and operationally, while providing a sustainable dividend to our shareholders.

## WHAT'S INSIDE

Letter to Shareholders	3
Notice of Annual and Special Meeting	4
Voting Matters	6
Matters to be Acted Upon at the Meeting	9
Directors' Compensation	22
Executive Compensation	25
Securities Authorized for Issuance Under Equity Compensation Plans	42
Corporate Governance	43
Ownership Guidelines	51
Other Matters Coming Before the Meeting	52
Interest of Certain Persons or Companies in Matters to be Acted Upon	52
Interest of Informed Persons and Others in Material Transactions	52
Auditors, Transfer Agent and Registrar	52
Additional Information	52
Appendix A	

## PROXY SUMMARY

The following summary highlights some of the important information you will find in this information circular – proxy statement. We recommend you read the entire information circular before voting.

Voting Matters	Board Vote Recommendation	For More Information See Page
Fixing the Number of Directors	For	9
Election of Directors	For	9
Appointment of Auditors	For	17
Advisory Vote on Executive Compensation	For	17
Approval of Unallocated Bonus Awards under our Restricted Bonus Award Incentive Plan	For	18
Approval of a Consolidation of our Common Shares	For	20

## LETTER TO SHAREHOLDERS

March 28, 2019

Dear Fellow Shareholder,

On behalf of the Board of Directors and Management of Cardinal Energy Ltd., we hope you will join us in Room 1, Millennium Tower, 440 – 2nd Avenue S.W., on Thursday, May 16, 2019 at 10:00 a.m. (Calgary time) for our annual and special shareholders meeting.

This meeting provides an opportunity for you to vote on the items of business, hear about our activities over the past year and learn more about our plans for the future. The meeting also provides you with the opportunity to meet members of our board and staff.

The accompanying information circular – proxy statement describes the business that will be conducted at the meeting and provides information on our executive compensation and governance practices.

Your vote is important to us. If you are unable to attend the meeting, we encourage you to ensure your vote is recorded by returning the signed form of proxy or voting via our internet option. If your shares are not registered in your name and are held in the name of a nominee, you may wish to consult the information beginning on page 6 of the accompanying information circular – proxy statement for information on how to vote your shares.

We hope that you will join us at this year's meeting.

Sincerely,

(signed) "*Scott Ratushny*"

**Scott Ratushny**  
**Chairman and Chief Executive Officer**

## NOTICE OF ANNUAL AND SPECIAL MEETING

NOTICE is hereby given that the annual and special meeting of the shareholders of Cardinal Energy Ltd. will be held in Room 1, Millennium Tower, 440 – 2nd Avenue S.W., Calgary, Alberta at 10:00 a.m. (Calgary time) on Thursday, May 16, 2019 to:

1. receive and consider our financial statements for the year ended December 31, 2018, together with the report of the auditors thereon;
2. fix the number of directors to be elected at the meeting at five members;
3. elect five directors;
4. appoint the auditors and authorize the directors to fix their remuneration as such;
5. consider a non-binding advisory resolution on our approach to executive compensation;
6. approve unallocated bonus awards under our restricted bonus award incentive plan;
7. approve a consolidation of our common shares; and
8. transact such other business as may properly be brought before the meeting or any adjournment thereof.

The specific details of the matters proposed to be put before the meeting are set forth in the information circular – proxy statement accompanying this notice.

If you are unable to attend the meeting in person, we request that you date and sign the enclosed form of proxy and deposit it with Computershare Trust Company of Canada Proxy Dept., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, or by facsimile at 1-866-249-7775, so that it is received no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the meeting or any adjournment thereof. Registered shareholders may also use the internet site at [www.investorvote.com](http://www.investorvote.com) to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America), or 1-312-588-4290 (outside North America). A vote submitted via the internet must be received at least 24 hours prior to the time of the meeting or any adjournment thereof. The website may also be used to appoint a proxy holder to attend and vote at the meeting on the shareholder's behalf and to convey a shareholder's voting instructions. Shareholders can also appoint a proxy holder to attend and vote at the meeting on the shareholder's behalf and to convey a shareholder's voting instructions.



Only shareholders of record at the close of business on April 2, 2019, will be entitled to vote at the meeting, unless that shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the meeting.

DATED at Calgary, Alberta this 28th day of March, 2019.

**BY ORDER OF OUR BOARD OF DIRECTORS**

(signed) "*M. Scott Ratushny*"

M. Scott Ratushny  
Chairman and Chief Executive Officer

**INFORMATION CIRCULAR – PROXY STATEMENT  
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON THURSDAY, MAY 16, 2019**

**VOTING MATTERS**

**Solicitation of Proxies**

**This information circular - proxy statement is furnished in connection with the solicitation of proxies** for use at the annual and special meeting of our shareholders to be held on Thursday, May 16, 2019 in Room 1, Millennium Tower, 440 – 2nd Avenue S.W., Calgary, Alberta at 10:00 a.m. (Calgary time) and any adjournment thereof.

If you are unable to attend the meeting in person, we request that you date and sign the enclosed form of proxy and deposit it with Computershare Trust Company of Canada Proxy Dept., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, or by facsimile at 1-866-249-7775, so that it is received no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the meeting or any adjournment thereof. Registered shareholders may also use the internet site at [www.investorvote.com](http://www.investorvote.com) to transmit their voting instructions or vote by phone at 1-866-732-VOTE (8683) (toll free within North America), or 1-312-588-4290 (outside North America). A vote submitted via the internet must be received at least 24 hours prior to the time of the meeting or any adjournment thereof. The website may also be used to appoint a proxy holder to attend and vote at the meeting on the shareholder's behalf and to convey a shareholder's voting instructions. Shareholders can also appoint a proxy holder to attend and vote at the meeting on the shareholder's behalf and to convey a shareholder's voting instructions. Solicitation of proxies will be primarily by mail, but some proxies may be solicited personally or by telephone, facsimile transmission or other electronic means by our officers, directors or employees at a nominal cost. The cost of solicitation will be borne by us.

Only shareholders of record at the close of business on April 2, 2019, will be entitled to vote at the meeting, unless that shareholder has transferred any shares subsequent to that date and the transferee shareholder, not later than 10 days before the meeting, establishes ownership of the shares and demands that the transferee's name be included on the list of shareholders entitled to vote at the meeting.

The instrument appointing a proxy must be in writing and must be executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation.

**The persons named in the enclosed instrument of proxy are our officers. As a shareholder you have the right to appoint a person or company, who need not be a shareholder, to represent you at the meeting. To exercise this right you should insert the name of the desired representative in the blank space provided in the instrument of proxy and strike out the other name.**

### **Advice to Beneficial Holders of Common Shares**

The information set forth in this section is of significant importance to you if you do not hold your common shares in your own name. Only proxies deposited by shareholders whose names appear on our records as the registered holders of common shares can be recognized and acted upon at the meeting. If your common shares are listed in your account statement provided by your broker, then, in almost all cases, those common shares will not be registered in your name on our records. Such common shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for The CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. Common shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your shares.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your shares are voted at the meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to a mailing/tabulating agent who mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternatively, you can use their website or call their toll-free telephone number to instruct them how to vote your shares. They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of shares to be represented at the meeting. If you receive a voting instruction form from a mailing/tabulating agent, it cannot be used as a proxy to vote shares directly at the meeting as it must be returned to the mailing/tabulating agent well in advance of the meeting in order to have the shares voted.

### **Revocability of Proxy**

You may revoke your proxy at any time prior to a vote. If you, or the person you give your proxy, attend personally at the meeting, you or such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by you or your attorney authorized in writing or, if you are a corporation, under your corporate seal or by a duly authorized officer or attorney of the corporation. To be effective the instrument in writing must be deposited either at our head office, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chair of the meeting on the day of the meeting, or any adjournment thereof.

## Persons Making the Solicitation

**This solicitation is made on behalf of our management.** We will bear the costs incurred in the preparation and mailing of the form of proxy, notice of annual and special meeting and this information circular – proxy statement. In addition to mailing forms of proxy, proxies may be solicited by personal interviews, or by other means of communication, by our directors, officers and employees who will not be remunerated therefor.

## Exercise of Discretion By Proxy

The common shares represented by proxy in favour of management nominees will be voted or withheld from voting on any poll at the meeting. Where you specify a choice with respect to any matter to be acted upon, the shares will be voted on any poll in accordance with the specification so made. **If you do not provide instructions, your shares will be voted in favour of the matters to be acted upon as set out herein.** The persons appointed under the form of proxy, which we have furnished, are conferred with discretionary authority with respect to amendments or variations of those matters specified in the form of proxy and notice of annual and special meeting and with respect to any other matters which may properly be brought before the meeting or any adjournment thereof. At the time of printing this information circular – proxy statement, we know of no such amendment, variation or other matter.

## Notice-and-Access

We have elected to use the "notice-and-access" provisions under National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer* for the meeting in respect of the mailing of our meeting materials, annual financial statements and management's discussion and analysis to the non-registered holders of our common shares but not to the registered holders of our common shares. The notice-and-access provisions are a set of rules developed by the Canadian Securities Administrators that reduce the volume of materials that must be physically mailed to shareholders by allowing a reporting issuer to post its meeting materials and information circular and related materials online.

We have also elected to use procedures known as "stratification" in relation to our use of the notice-and-access provisions. Stratification occurs when we, while using the notice-and-access provisions, provide a paper copy of our notice of meeting and information circular and, if applicable, a paper copy of our financial statements and related management's discussion and analysis, to some but not all of our shareholders. In relation to the meeting, our registered shareholders will receive a paper copy of the notice of meeting, this information circular, a form of proxy and our financial statements and related management's discussion and analysis whereas non-registered holders of our common shares will receive a notice-and-access notification and a voting instruction form. In addition, a paper copy of the notice of meeting, this information circular, a form of proxy and our financial statements and related management's discussion and analysis will be mailed to those shareholders who do not hold their common shares in their own name but who have previously requested to receive paper copies of these materials.

We will be delivering proxy-related materials to non-objecting beneficial owners of our common shares directly with the assistance of Broadridge Investor Communications Solutions. We intend to pay for intermediaries to deliver proxy-related materials to objecting beneficial owners of our common shares.



### **Voting Shares and Principal Holders Thereof**

We are authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, without nominal or par value. As at March 28, 2019 there were 117,146,075 common shares and no preferred shares issued and outstanding. As a holder of common shares you are entitled to one vote for each common share you own.

To the knowledge of our directors and officers, as at March 28, 2019 no person or company beneficially owned, or controlled or directed, directly or indirectly, more than 10% of our common shares.

## **MATTERS TO BE ACTED UPON AT THE MEETING**

### **Fixing the Number of Directors**

We currently have five directors.

Accordingly, unless otherwise directed, it is the intention of management to vote proxies in the accompanying form in favour of fixing the number of directors to be elected at the meeting at five.

### **Election of Directors**

Management is soliciting proxies, in the accompanying form of proxy, for an ordinary resolution in favour of the election as directors of the five nominees set forth below:

M. Scott Ratushny  
John A. Brussa  
David D. Johnson  
Stephanie Sterling  
Gregory T. Tisdale

Each director so elected will hold office until the next annual meeting of our shareholders or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with our articles or by-laws.

### ***Voting for Election of Directors***

Voting for the election of directors will be conducted on an individual, and not a slate, basis. The individual voting results will be published by news release and on [www.sedar.com](http://www.sedar.com) after the meeting. The individual voting results will be reviewed by our Environmental, Social and Corporate Governance Committee and will be considered as part of the committee's overall review and assessment of the nominees recommended to shareholders at our next annual meeting of shareholders.

Our board of directors has also adopted a majority voting policy, which provides that if a nominee for election as a director receives a greater number of votes "withheld" than votes "for" at a meeting of our shareholders, such nominee will offer his or her resignation as a director to our board of directors promptly following the meeting of shareholders at which the director was elected.

In most cases, our board will accept the offer of resignation. Our Environmental, Social and Corporate Governance Committee can, however, recommend retaining the director when there are extenuating circumstances. The committee will consider all relevant factors, including why shareholders withheld votes, the director's length of service, qualifications and contributions to us, share ownership, the current mix of skills and attributes of the directors on our board; the impact with respect to covenants in our agreements or plans, if any; and legal requirements, policies or guidelines (regulatory, securities or corporate laws, or stock exchange rules) for director numbers and qualifications. In any case, the board will disclose its decision, including an explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation, in a press release within 90 days of the meeting. The nominee will not participate in any committee or board deliberations on the resignation offer. The policy does not apply in circumstances involving contested director elections.

**Management recommends that shareholders vote FOR the election of each of these nominees. The persons named in the enclosed form of proxy intend to vote FOR the election of each of these nominees unless the shareholder specifies authority to do so is withheld.**

Management does not contemplate that any of such nominees will be unable to serve as a director. However, if for any reason any of the proposed nominees do not stand for election or are unable to serve as such, the management designees, if named as proxy, reserve the right to vote for any other nominee in their sole discretion unless the shareholder has specified in his or her proxy that his or her common shares are to be withheld from voting on the election of directors. Each director so elected will hold office until the next annual meeting of our shareholders or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with our articles or by-laws.

### **Proposed Directors**

For each person proposed to be nominated for election as a director, the following table sets forth their name, place of residence, age (at December 31, 2018), the year in which they became a director, a brief biography, their membership on committees of our board, their attendance at board and committee meetings during 2018, the common shares and other securities beneficially owned, controlled or directed (directly or indirectly) held by them and the votes for and withheld for their election at the last annual meeting of shareholders, as applicable. This information is based partly on our records and partly on information received by us from the nominees.

<b>SCOTT RATUSHNY</b> Calgary, Alberta  Chairman of the Board Age: 54 Director Since: 2011	Mr. Ratushny has been our Chairman and Chief Executive Officer since May 2011. Prior thereto, he was the Chairman and Chief Executive Officer of Midway Energy Ltd., a public oil and gas company, from July 2009 to May 2012.				
	Board / Committee Memberships in 2018 <sup>(3)</sup>		Meetings Attended	Total Attendance	
	Board (Chairman)		5/5	6/6 (100%)	
	Reserves		1/1		
Cardinal Securities Held as at:	Common Shares		Bonus Awards		Total Value
	Amount (#)	Value <sup>(1)</sup> (\$)	Amount (#)	Value <sup>(2)</sup> (\$)	Value <sup>(3)</sup> (\$)
March 28, 2019	1,659,031	4,429,612	662,454	1,768,752	6,198,364
Voting Results from last Annual Meeting		Votes For	Votes Withheld	Total Votes Cast	
Number of Votes		35,013,816	5,274,584	40,288,400	
Percentage of Votes		86.91%	13.09%	100%	
Other Public Directorships					
None					

<b>JOHN BRUSSA</b> Calgary, Alberta  Independent Director Age: 61 Director Since: 2012	Mr. Brussa is Chairman of the law firm Burnet, Duckworth & Palmer LLP and has been a partner at the firm since 1987.					
	Board / Committee Memberships in 2018 <sup>(3)</sup>			Meetings Attended	Total Attendance	
	Board			5/5	6/6 (100%)	
	Compensation			1/1		
	Common Shares		Bonus Awards			
Cardinal Securities Held as at:	Amount (#)	Value <sup>(1)</sup> (\$)	Amount (#)	Value <sup>(2)</sup> (\$)	Total Value <sup>(3)</sup> (\$)	
March 28, 2019	1,277,677	3,411,397	88,213	235,528	3,646,925	
Voting Results from last Annual Meeting		Votes For	Votes Withheld	Total Votes Cast		
Number of Votes		32,264,807	8,023,593	40,288,400		
Percentage of Votes		80.08%	19.92%	100%		
Other Public Directorships <sup>(4)</sup>						
Crew Energy Inc. Leucrotta Exploration Inc. Storm Resources Ltd. TORC Oil & Gas Ltd.						

<b>DAVID JOHNSON</b> Calgary, Alberta  Independent Director Age: 68 Director Since: 2012	Mr. Johnson is an independent businessman with over forty years of diverse experience in the oil & gas industry. Mr. Johnson was the Chairman of Progress Energy Resources Corp. from July 2004 until its sale to PETRONAS in 2012.						
	Board / Committee Memberships in 2018			Meetings Attended	Total Attendance		
	Board			5/5	11/11 (100%)		
	Audit			4/4			
Reserves (Chair)			1/1				
Compensation			1/1				
		Common Shares		Bonus Awards			
		Amount	Value <sup>(1)</sup>	Amount	Value <sup>(2)(3)</sup>	Total Value <sup>(3)</sup>	
Cardinal Securities Held as at:		(#)	(\$)	(#)	(\$)	(\$)	
March 28, 2019		426,467	1,138,666	88,213	235,528	1,374,194	
Voting Results from last Annual Meeting		Votes For		Votes Withheld		Total Votes Cast	
Number of Votes		39,982,593		305,807		40,288,400	
Percentage of Votes		99.24%		0.76%		100%	
Other Public Directorships							
Secure Energy Services Inc.							
TORC Oil & Gas Ltd.							

<b>STEPHANIE STERLING</b> Calgary, Alberta  Independent Director Age: 51 Director Since: 2017	Ms. Sterling is a recently retired senior executive with Shell Canada with over 25 years' experience in engineering, large project start-up and operations, governance, joint venture negotiations and relationships, risk management, business development and strategic planning. She has served as General Manager for Non-Technical Risk Integration, Community and Indigenous Relations for Shell in Canada, USA and Latin America where she was responsible for integrating risk management into new projects. She also served as the Vice President Business and Joint Ventures for Shell's Heavy Oil business, where she was responsible for the joint venture governance, commercial negotiations and relationships for two significant joint ventures: the Athabasca Oil Sands Project among Shell, Chevron and Marathon; and the AERA joint venture in California between Shell and Exxon.				
	Ms. Sterling has also been a director of the Alberta Petroleum Marketing Commission, a Crown board, since July 2017 and Riversdale Resources Limited, a private coal development company since December 2017				
	Board / Committee Memberships in 2018 <sup>(3)</sup>		Meetings Attended	Total Attendance	
Board		5/5	6/6 (100%)		
Reserves		1/1			
Cardinal Securities Held as at:	Common Shares		Bonus Awards		Total Value <sup>(3)</sup>
	Amount (#)	Value <sup>(1)</sup> (\$)	Amount (#)	Value <sup>(2)(3)</sup> (\$)	
March 28, 2019	26,211	69,983	101,788	271,773	341,756
Voting Results from last Annual Meeting		Votes For	Votes Withheld	Total Votes Cast	
Number of Votes		39,811,151	477,249	40,288,400	
Percentage of Votes		98.82%	1.18%	100%	
Other Public Directorships					
None					

<b>GREGORY T. TISDALE</b> Cochrane, Alberta  Independent Director Age: 49 Director Since: 2014	Mr. Tisdale is currently director and founder of Enercapita Energy Ltd., a private junior oil and gas company. Prior thereto he was the Chief Financial Officer of Crescent Point Energy Ltd., a public oil and gas company.					
	Board / Committee Memberships in 2018			Meetings Attended	Total Attendance	
	Board			5/5	10/10 (100%)	
	Audit (Chair)			4/4		
			Compensation		1/1	
Cardinal Securities Held as at:	Common Shares		Bonus Awards		Total Value <sup>(3)</sup>	
	Amount (#)	Value <sup>(1)</sup> (\$)	Amount (#)	Value <sup>(2)</sup> (\$)		
March 28, 2019	58,254	155,538	88,213	235,528	391,066	
Voting Results from last Annual Meeting		Votes For	Votes Withheld	Total Votes Cast		
Number of Votes		39,795,519	492,881	40,288,400		
Percentage of Votes		98.78%	1.22%	100%		
Other Public Directorships						
None						

Notes:

- (1) The value of the common shares was calculated by multiplying the number of common shares by the closing price of the common shares on the Toronto Stock Exchange (the "TSX") on March 28, 2019 (\$2.67).
- (2) The value of the bonus awards was calculated by multiplying the number of bonus awards by the closing price of the common shares on the TSX on March 28, 2019 (\$2.67). The calculated value does not include the value of dividend equivalents on the awards.
- (3) Does not include the Environmental, Social and Corporate Governance Committee, which was created in August of 2018 when the Corporate Governance & Compensation Committee was split into the Environmental, Social and Corporate Governance Committee and the Compensation Committee. The Environmental, Social and Corporate Governance Committee did not meet separately in 2018.
- (4) Mr. Brussa is also currently a director of Just Energy Inc. However, in order to comply with governance best practices relating to over-boarding and to ensure an orderly transition, Mr. Brussa has informed Just Energy Inc. that he will not be standing for re-election at the 2019 annual shareholders meeting. Mr. Brussa has also confirmed that he will not seek any other additional public board appointments.
- (5) We have imposed share ownership guidelines for all of our directors and executive officers. See "*Ownership Guidelines*".

### ***Additional Disclosure Relating to Proposed Directors***

To the knowledge of our directors and executive officers, other than as provided below, no proposed director is, as of the date hereof, or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including us), that was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer or was subject to such an order that was issued after the director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of our directors and executive officers, other than as provided below, no proposed director is, as of the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including us) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets or has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Brussa was formerly a director of Calmena Energy Services Inc. ("**Calmena**") (a public oilfield service company). Mr. Brussa resigned as a director of Calmena on June 30, 2014. On January 19, 2015, a senior lender of Calmena (the "**Senior Lender**") made an application to the Court of Queen's Bench of Alberta (the "**Court**") to appoint an interim receiver under the *Bankruptcy and Insolvency Act* (Canada) and trading in the common shares of Calmena was suspended by the TSX on January 20, 2015, the Senior Lender was granted a receivership order by the Court.

Messrs. Brussa, Ratushny and Tisdale were directors of Enseco Energy Services Corp. ("**Enseco**") (a public oilfield service company), which was placed in receivership on October 14, 2015 and, in connection therewith, a receiver was appointed under the *Bankruptcy and Insolvency Act* (Canada). Messrs. Brussa, Ratushny and Tisdale resigned as directors of Enseco on October 14, 2015. On December 21, 2015 Enseco was assigned into bankruptcy by the receiver.

Mr. Brussa was a director of Argent Energy Ltd. which was the administrator of Argent Energy Trust. On February 17, 2016, Argent Trust and its Canadian and United States holding companies (collectively "**Argent**") commenced proceedings under the *Companies' Creditors Arrangement Act* ("**CCAA**") for a stay of proceedings until March 19, 2016. On the same date, Argent filed voluntary petitions for relief under Chapter 15 of the *United States Bankruptcy Code* ("**Chapter 15**"). On March 9, 2016, the stay of proceedings under the CCAA was extended until May 17, 2016. Additionally on March 10, 2016 the U.S. Bankruptcy Court approved an order recognizing the CCAA as the foreign main proceedings under Chapter 15. Mr. Brussa resigned on June 30, 2016.



Mr. Brussa resigned as a director of Twin Butte Energy Ltd. ("**Twin Butte**") on September 1, 2016. On September 1, 2016, the senior lenders of Twin Butte (the "**Senior Lenders**") made an application to the Court to appoint a receiver and manager over the assets, undertakings and property of Twin Butte under the *Bankruptcy and Insolvency Act* (Canada) and trading in the common shares of Twin Butte was suspended by the TSX. On September 1, 2016, the Senior Lenders were granted a receivership order by the Court.

Messrs. Brussa and Johnson were directors of Virginia Hills Oil Corp. ("**VHO**") (a public oil and gas company). On February 13, 2017, VHO received a demand notice and notice of intention to enforce security from its lenders and agreed to consent to the early enforcement of the lenders' security and the appointment of a receiver over all of the current and future assets, undertakings and properties of VHO. The receiver was appointed on February 13, 2017. Mr. Johnson resigned as a director of VHO on April 5, 2016 and Mr. Brussa resigned as a director of VHO on February 24, 2017.

No proposed director has, within the last ten years before the date hereof, been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

#### **Appointment of Auditors**

Management is soliciting proxies, in the accompanying form of proxy, in favour of the appointment of the firm of KPMG LLP, Chartered Professional Accountants, of Suite 3100, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 4B9, as our auditors, to hold office until the next annual meeting of our shareholders and to authorize the directors to fix their remuneration as such. KPMG LLP has been our auditors since our inception. See "*Audit Committee Information*" in our Annual Information Form for the year ended December 31, 2018, for additional information including a description of fees we paid to KPMG LLP during the past two years.

#### **Advisory Vote on Executive Compensation**

The underlying principle for executive compensation throughout our company is "pay-for-performance". We believe that this philosophy achieves the goal of attracting and retaining excellent employees and executive officers, while rewarding the demonstrated behaviors that reinforce our values and help us to deliver on our corporate objectives.

Our board believes that shareholders should have the opportunity to fully understand the objectives, philosophy and principles that guide the executive compensation-related decisions made by our Compensation Committee. Shareholders are encouraged to review the "*Executive Compensation*" section of this information circular – proxy statement, which discusses our compensation philosophy and approach to executive compensation, what our named executive officers are paid, and how their respective levels of compensation are determined.

As part of our ongoing commitment to corporate governance, our board of directors has approved a non-binding advisory vote on executive compensation at the meeting with the intention that this shareholder advisory vote will form an integral part of our ongoing process of engagement between our shareholders and our board of directors relating to executive compensation. We will disclose the results of the shareholder advisory vote as a part of our report on voting results for the meeting.

As this is an advisory vote, the results will not be binding upon our board of directors. Our board, and specifically our Compensation Committee, will not be obligated to take any compensation actions, or make any adjustments to executive compensation programs or plans, as a result of the vote. However, our Compensation Committee and our board of directors will take into account the results of the vote, together with feedback received from our shareholders, in considering our approach to compensation in the future.

In the event that the advisory resolution is not approved by a majority of the votes cast at the meeting or there is a significant vote against the resolution, our board of directors will consult with shareholders (particularly those who are known to have voted against) to understand their concerns and will review our approach to compensation in the context of those concerns. Results from this review, if necessary, will be discussed in our information circular - proxy statement for the annual meeting of shareholders to be held in 2020. Shareholders may contact our Corporate Secretary by mail at our head office at Suite 600, 400 – 3 Avenue S.W., Calgary, Alberta T2P 4H2, if they wish to share their views on executive compensation with our board of directors.

At the meeting, shareholders will be asked to vote on the following resolution:

**"BE IT RESOLVED**, on an advisory basis and not to diminish the role and responsibilities of the board of directors of Cardinal Energy Ltd. (the "**Corporation**"), that the shareholders accept the approach to executive compensation disclosed in the information circular - proxy statement of the Corporation dated March 28, 2019."

**Our board of directors recommends that shareholders vote FOR the non-binding advisory resolution regarding our approach to executive compensation.**

#### **Approval of Unallocated Bonus Awards under our Restricted Bonus Award Incentive Plan**

Our restricted bonus award incentive plan is a full-value award plan pursuant to which time-based awards may be granted to our directors, officers, employees and other service providers. For a complete description of our award plan, see "*Executive Compensation – Incentive Plan Awards*" below.

The maximum number of common shares reserved for issuance from time to time pursuant to outstanding awards under our restricted bonus award incentive plan may not exceed 5% of the aggregate number of our issued and outstanding common shares less the number of common shares reserved for issuance for stock options outstanding under our legacy stock option plan.

Pursuant to the rules of the TSX, all unallocated rights, options or other entitlements under a "security based compensation arrangement" which does not have a fixed maximum number of securities issuable thereunder must be approved by an issuer's directors and equity securityholders every three years. All unallocated rights under our restricted bonus award incentive plan were last renewed until May 10, 2019. As a result, shareholders are being asked at the meeting to consider an ordinary resolution to approve the common shares issuable pursuant to unallocated awards under our restricted bonus award incentive plan for a new three year term. If the ordinary resolution is passed at the meeting, we will be required to seek similar approval from our shareholders on the next renewal date no later than May 16, 2022.

Our restricted bonus award incentive plan is our only current form of long term compensation program. In order to attract and retain qualified directors, officers, employees and other service providers in a competitive marketplace, it is imperative that we have a long-term incentive plan, such as our restricted bonus award incentive plan, which can be used to retain and attract qualified personnel, promote a proprietary interest in us by such persons while at the same time serving as an important performance based incentive for key officers, employees and other service providers to focus on our operating and financial performance and long term total shareholder return and profitability.

Our restricted bonus award incentive plan aligns the interests of our directors, officers, employees and other service providers with shareholders as it provides an incentive to maximize total shareholder return.

The terms of the restricted bonus award incentive plan provide that we have, in our sole and absolute discretion, the option of settling the value of the notional common shares underlying a bonus award, by any of the following methods or by a combination of such methods: (i) payment in common shares issued from treasury; (ii) payment in cash; or (iii) payment in common shares acquired in the market. If the proposed shareholder approval is not obtained at the meeting, we will no longer be able to issue common shares from treasury to settle the award value of any unallocated bonus awards, being those which have not been granted as of May 10, 2019. Bonus awards granted prior to this date will continue to be unaffected by the approval or disapproval of the subject resolution. In the absence of approval by our shareholders at the meeting, we will be forced to settle bonus awards granted in the future under our restricted bonus award incentive plan either in cash or by purchasing common shares in the market.

If the proposed shareholder approval is not obtained at the meeting, we will no longer be able to issue common shares from treasury to settle the award value of any unallocated bonus awards, being those which have not been granted as of May 10, 2019. Bonus awards granted prior to this date will continue to be unaffected by the approval or disapproval of the subject resolution. In the absence of approval by our shareholders at the meeting, we will be settle bonus awards granted in the future under our restricted bonus award incentive plan either in cash or by purchasing common shares in the market.

As of March 28, 2019, 5,445,630 bonus awards and 6,945 stock options were outstanding, representing 4.7% of our issued and outstanding common shares, leaving 404,728 common shares reserved and available for issuance pursuant to the settlement of bonus awards that may be granted in the future.

### ***Form of Resolution and Approval Requirement***

At the meeting, shareholders will be asked to consider and, if thought fit, to pass an ordinary resolution in the form set forth below in connection with the bonus award plan:

**"BE IT RESOLVED** as an ordinary resolution of the shareholders of Cardinal Energy Ltd. (the "**Corporation**") that:

1. All common shares which may be issuable pursuant to unallocated awards under the Corporation's 2012 Restricted Bonus Incentive Award Plan are hereby approved and authorized until May 16, 2022; and
2. Any director or officer of the Corporation is authorized and directed to do all such things and execute all such documents and instruments as may be necessary or desirable to give effect to the foregoing resolution."

In order to be passed, the above ordinary resolution must be approved by a majority of the aggregate votes cast by shareholders at the meeting.

**Our board unanimously recommends that shareholders vote FOR the approval of unallocated incentive awards under our share award incentive plan. The persons named in the enclosed form of proxy intend to vote FOR the resolution unless the shareholder specifies otherwise.**

### **Approval of a Consolidation of our Common Shares**

At the meeting, shareholders will also be asked to approve a special resolution authorizing an amendment to our articles to consolidate our common shares on a two to one basis (the "**Consolidation**").

As at the date hereof, we have 117,146,075 common shares issued and outstanding. We wish to reduce our outstanding share amount to a level more in keeping with our industry peers.

If approved and implemented, the Consolidation will affect all holders of our common shares uniformly and will not affect any shareholder's percentage ownership interest in us, except to the extent that the Consolidation would otherwise result in a shareholder owning a fractional share. No fractional shares will be issued pursuant to the Consolidation and no cash will be paid in lieu of fractional shares. Any fractional common share resulting from the Consolidation will be rounded up or down to the nearest whole common share as applicable (with fractions exactly equal to 0.5 rounded up).

We currently have an unlimited number of common shares available for issuance and the Consolidation will not have any effect on the number of common shares that remain available for future issuance. The exercise or conversion price and the number of common shares issuable under any of our convertible securities, including our bonus awards, stock options and our convertible debentures, will be proportionately adjusted upon the Consolidation becoming effective.

Implementation of the Consolidation is subject to receipt of the approval of our shareholders at the meeting. If this approval is received, the Consolidation will occur at a time determined by our directors. Our directors may determine not to proceed with the Consolidation at its discretion regardless of whether the necessary approval has been obtained.

If we proceed with the Consolidation, we will provide registered holders of our shares with a letter of transmittal providing instructions with respect to exchanging their certificates for post-Consolidation common shares.

### ***Form of Resolution and Approval Requirement***

At the meeting, shareholders will be asked to consider, and if though appropriate, pass the following special resolution:

**"BE IT RESOLVED** as a special resolution of the holders of common shares (the "**Common Shares**") of Cardinal Energy Ltd. (the "**Corporation**") that:

1. the Articles of Incorporation of the Corporation be amended to provide that the authorized share capital of the Corporation be altered by consolidating all of the issued and outstanding Common Shares of the Corporation (the "**Consolidation**") on a two (2) to one (1) basis;
2. no fractional Common Shares shall be issued in connection with the Consolidation and in the event that a shareholder would otherwise be entitled to receive a Common Share in connection with the Consolidation, fractions of a Common Share shall be rounded, up or down as applicable, to the nearest whole Common Share (with fractions exactly equal to 0.5 rounded up);
3. the board of directors of the Corporation be and is hereby authorized to set the effective date of such Consolidation and such effective date shall be the date shown in the certificate of amendment issued by the Registrar appointed under the *Business Corporations Act* (Alberta) (the "**Act**") or such other date indicated in the Articles of Amendment provided that, in any event, such date shall be prior to the next annual general meeting of shareholders of the Corporation;

4. any one director or officer of the Corporation is hereby authorized to sign all such documents, including without limitation, Articles of Amendment, and to do all such acts and things, including without limitation, delivering such Articles of Amendment to the Registrar of Corporations under the Act, as such director or officer determines, in his or her discretion, to be necessary or advisable in order to properly implement and give effect to the foregoing; and
5. the directors of the Corporation may, in their discretion, without further approval of the shareholders of the Corporation, revoke this special resolution at any time prior to the filing of the Articles of Amendment giving effect to the foregoing without further approval of shareholders."

To be adopted, the foregoing special resolution must be approved by not less than 66 ⅔% of the votes cast by shareholders who vote in person or by proxy at the meeting.

**Our board unanimously recommends that shareholders vote FOR the approval of the consolidation of our common shares. The persons named in the enclosed form of proxy intend to vote FOR the resolution unless the shareholder specifies otherwise.**

## DIRECTORS' COMPENSATION

### Director Compensation

Our board of directors, through the Compensation Committee, is responsible for the development and implementation of a compensation plan for our directors who are not also officers. We do not pay any compensation to officers for acting as a director. For information concerning the compensation paid to Mr. Ratushny who is also our Chairman and Chief Executive Officer, see "*Executive Compensation*".

The main objectives of our compensation plan for directors are to attract and retain the services of the most qualified individuals and to compensate the directors in a manner that is commensurate with the risks and responsibilities assumed in board and committee membership and at a level that is similar to the compensation paid to directors of a peer group of oil and gas companies. In addition, our philosophy of using compensation to foster a culture of ownership also extends to our director compensation policies. Our board of directors believes it is important that directors demonstrate their commitment to our stewardship through share ownership.

In 2018, we revised our directors compensation program to be more consistent with our peers. We kept our annual board retainer at \$36,000 and effective June 1, 2018, we added committee chair retainers of \$12,000 for the Audit Committee Chair and \$8,000 for the Chairs of the Reserves Committee and Compensation and Corporate Governance Committee.

Our directors are also eligible to receive bonus awards under our restricted bonus award incentive plan. In 2018, we increased the annual award value of bonus awards for our directors to a maximum of \$150,000 for each outside director.

Directors are also reimbursed for miscellaneous out-of-pocket expenses in carrying out their duties as directors.

***Directors' Summary Compensation Table***

The following table sets forth for the year ended December 31, 2018, information concerning the compensation paid to our outside directors.

<b>Name</b>	<b>Fees earned <sup>(1)</sup> (\$)</b>	<b>Share-based awards <sup>(2)</sup> (\$)</b>	<b>Total (\$)</b>
John A. Brussa <sup>(2)</sup>	40,662	108,402	149,064
David D. Johnson	40,662	108,402	149,064
James C. Smith <sup>(3)</sup>	15,000	-	15,000
Stephanie Sterling	36,000	125,668	161,668
Gregory T. Tisdale	43,000	108,402	151,402

Notes:

- (1) Fees earned reflect pro-rated committee chair retainers, which were implemented effective June 1, 2018.
- (2) Represents bonus awards granted in 2018 pursuant to our restricted bonus award incentive plan. Bonus awards vest equally over three years from the date of grant and expire on December 15th of the third year following the year in which the bonus award was granted. The fair value of the bonus awards has been calculated based on the value of our common shares at the grant date. The weighted average market price of our common shares used to value the bonus awards granted was \$4.51 for Messrs. Brussa, Johnson and Tisdale and \$5.23 for Ms. Sterling. No option-based awards were granted to our directors in 2018.
- (3) Mr. Brussa is Chairman of the law firm Burnet, Duckworth & Palmer LLP, which also receives fees for the provision of legal services to us.
- (4) Mr. Smith retired from our board on May 17, 2018.

### ***Directors' Outstanding Share-Based Awards***

The following tables set forth all share-based awards outstanding at the end of the year ended December 31, 2018 for each of our outside directors. Our directors do not hold any option-based awards.

Name	Estimated payout value of share-based awards that have not vested <sup>(1)(2)</sup> (\$)
John A. Brussa	19,200
David D. Johnson	19,200
Stephanie Sterling	40,788
Gregory T. Tisdale	19,200

Notes:

- (1) Represents bonus awards which had not been settled by December 31, 2018. The bonus awards are settled equally over three years and expire on December 15th on the third year following the year of grant. Bonus awards are adjusted for dividends and the value of the bonus award may be settled in cash, common shares or a combination thereof at our discretion.
- (2) Calculated by multiplying the number of bonus awards by the market price of our common shares at December 31, 2018 (\$2.22). This calculation does not include adjustments for dividends on the bonus awards. **These amounts are not necessarily reflective of actual amounts that may be realized.**

### ***Directors' Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth for each of our outside directors, the value of share-based awards, which vested or were paid (as applicable) during the year ended December 31, 2018. We did not have a non-equity incentive compensation plan in 2018 for our directors and our directors did not hold any option-based awards that or were paid (as applicable) during the year ended December 31, 2018.

Name	Share-based awards – Value vested during the year <sup>(1)</sup> (\$)
John A. Brussa	60,957
David D. Johnson	60,957
James C. Smith	60,957
Stephanie Sterling	44,785
Gregory T. Tisdale	60,957

Note:

- (1) Represents the value of bonus awards settled during the year ended December 31, 2018. The value of the bonus awards is based on the market price of our common shares on payment date multiplied by the number of common shares issued in satisfaction of the bonus award.



### **Meeting Attendances**

The following is a summary of attendance of our directors at meetings of our board of directors and its committees for 2018.

<b>Name</b>	<b>Board Meetings Attended</b>	<b>Audit Committee Meetings Attended</b>	<b>Reserves Committee Meetings Attended</b>	<b>Compensation Committee</b>
M. Scott Ratushny <sup>(1)</sup>	5/5	4/4	1/1	1/1
John A. Brussa	5/5	-	-	1/1
David D. Johnson	5/5	4/4	1/1	1/1
James C. Smith <sup>(2)</sup>	2/2	1/1	-	1/1
Stephanie Sterling <sup>(3)</sup>	5/5	1/1	1/1	-
Gregory T. Tisdale	5/5	4/4	-	1/1

Notes:

- (1) Mr. Ratushny attends all committee meetings.
- (2) Mr. Smith retired from our board on May 17, 2018.
- (3) Ms. Sterling replaced Mr. Smith on the Audit Committee effective March 20, 2018 and Mr. Tisdale became the Chair.
- (4) Does not include the Environmental, Social and Corporate Governance Committee, which was created in August of 2018 when the Corporate Governance & Compensation Committee was split into the Environmental, Social and Corporate Governance Committee and the Compensation Committee. The Environmental, Social and Corporate Governance Committee did not meet separately in 2018.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

We have developed an executive compensation strategy built on offering a competitive compensation package, which is oriented toward developing a culture of ownership by providing long-term equity-based incentives. As a result, the awarding of bonus awards is a significant component of our executive compensation. This approach is based on the assumption that our share price performance over the long-term is an important indicator of long-term performance.

Our compensation philosophy is based on the following fundamental principles:

- our compensation programs must be aligned with shareholder interests by aligning the goals of executives with maximizing long-term shareholder value;
- our compensation to NEOs must be performance sensitive by linking compensation to our operating and market performance; and
- our compensation programs must be market competitive in terms of value and structure in order to retain existing employees who are performing according to their objectives and to attract new individuals of the highest calibre.

The objectives of our executive compensation program were developed based on the above-mentioned compensation philosophy as follows:

- to attract and retain a high quality management and employee team and to motivate performance by aligning a significant portion of the compensation to enhancement in share value and to encourage all employees to become significant shareholders;
- to evaluate executive performance on the basis of key measurements that correlate to long-term shareholder value; and
- to tie compensation directly to those measurements and rewards based on achieving and exceeding predetermined objectives.

### **Compensation Governance**

Our Compensation Committee assists our board of directors in fulfilling its responsibilities by monitoring our compensation plans and practices and ensuring their congruence with our objectives and goals by assessing and making recommendations regarding compensation, benefits, short and long-term incentive programs and employee retention.

Our Compensation Committee is currently composed of Messrs. Brussa (Chair), Johnson and Tisdale. All of the members of our Compensation Committee are independent directors. A summary of the mandate of the Compensation Committee is set forth under "*Corporate Governance Disclosure*" and a copy of the mandate is available on our website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca). All of our Compensation Committee members have served as a senior executive officer and/or director of numerous organizations and have direct experience in executive and corporate compensation programs. See each member's biography found under "*Election of Directors*" above.

### **Compensation Risks**

In establishing our executive compensation program the Compensation Committee also considers the implication of the risks associated with our compensation program, including:

- the risk of executives taking inappropriate or excessive risks;
- the risk of inappropriate focus on achieving short term goals at the expense of long term return to shareholders;
- the risk of encouraging aggressive accounting practises; and
- the risk of excessive focus on financial returns and operational goals at the expense of regulatory, environmental and health and safety.

While no program can fully mitigate these risks we believe that many of these risks are mitigated by:

- weighting our long term incentives towards share ownership and vesting our long term incentives over a number of years;
- establishing a uniform incentive program for all executive officers and employees;
- avoiding narrowly focused performance goals which may encourage loss of focus on providing long term shareholder return and retaining adequate discretion to insure that our corporate governance & compensation committee and board retain their business judgment in assessing actual performance; and
- establishing a strong "tone at the top" for accounting, regulatory, environmental and health and safety compliance.

### ***Incentive Plan Design***

The ability of our Compensation Committee to consider factors such as personal contributions to corporate performance and non-financial, non-production or non-reserves based elements of corporate performance allows the Compensation Committee to consider whether executive officers have attempted to bolster short-term results at the expense of our long term success in determining executive compensation. In addition, as our compensation program consists of fixed (base salary) and variable (annual bonuses and long term incentive plan grants), the incentive for short term risk taking is balanced with the incentive to focus on generating long-term sustainable value for shareholders. Bonus awards which make up a significant portion of an executive officer's total compensation, vest over a period of time, which acts to further mitigate against the potential and inappropriate short-term risk taking. There are no compensation policies and practices that are structured significantly different for any named executive officers. Our Compensation Committee and board of directors will continue to monitor compensation risk assessment practices on an ongoing basis to ensure that our compensation program is appropriately structured.

### ***Short Selling Restrictions***

Our directors, officers and employees are prohibited from knowingly selling, directly or indirectly, a common share or other of our securities if such person selling such security does not own or has not fully paid for the security to be sold. Directors, officers and employees shall not, directly or indirectly, buy or sell a call or put in respect of a common share or other security. Notwithstanding these prohibitions, directors, officers and employees are permitted to sell through our compensation agent provided that such person holds stock options or other compensation related rights to acquire an equivalent number of common shares and such director, officer or employee has provided a notice of exercise for such stock option or other right to our compensation agent in order to facilitate the ordinary settlement of such options or rights.

### **Share Ownership Requirements**

Our executive officers are required to maintain a significant equity investment in us to align their interests with those of our shareholders and mitigate against the likelihood of undue risk taking. Our share ownership guidelines establish minimum share ownership levels for executives. See "*Ownership Guidelines*".

### **Identification of Named Executive Officers**

We are required to disclose the compensation paid to our Chief Executive Officer, any person who acted as our Chief Financial Officer during the year, and each of our three other most highly compensated persons who were executive officers at the end of our most recently completed financial year whose total annual compensation was more than \$150,000. In addition, we are required to disclose the compensation paid to any executive officers who would have been one of our three other most highly compensated executive officers except that they were not serving as executive officers of us at the end of the year.

For the year ended December 31, 2018 our named executive officers ("**NEOs**"), were Mr. M. Scott Ratushny, our Chairman and Chief Executive Officer, Mr. Shawn Van Spankeren, our Chief Financial Officer, Mr. Dale Orton, our Chief Operating Officer, Mr. Robert Wollmann, our Senior Vice-President, Exploration and Ms. Connie Shevkenek, our Vice President, Engineering. In January 2018, Mr. Douglas Smith retired from his position as Chief Financial Officer. As a result, our NEOs for 2018 include Mr. Smith.

### **Compensation Review Process**

Our Chief Executive Officer presents recommendations to the Compensation Committee regarding salary adjustments and bonuses for all of our staff, including the NEOs. The focus of the discussion is on the individual executive salaries, bonuses and long-term incentive awards with a review of the aggregate level of salary, bonuses and long-term incentive awards for the balance of the staff. The Compensation Committee makes specific recommendations to our board on our Chief Executive Officer's salary, bonus payments and long-term incentive awards. The Compensation Committee also recommends the salaries, bonus and long-term incentive award payments of all other officers.

Late in 2017, we engaged Mercer Human Resources Consulting ("**Mercer**") (an independent compensation consultant), to provide us with market compensation information for a selected group of peer companies using their standard valuation methodologies to assist us in our 2018 and 2019 compensation analysis.

Our board reviews all recommendations of the Compensation Committee before final approval. Any director who is also an officer is excused from the directors' meeting during any discussion of their compensation.

### ***Performance***

In establishing overall compensation levels, our Compensation Committee uses current levels of compensation as the starting point. Our Chief Executive Officer together with our Compensation Committee then consider overall corporate and individual performance relative to our peer group. In addition, the Compensation Committee considers the development and execution of our business strategy and other subjective elements together with total shareholder returns and the competitive environment.

Our Compensation Committee then assesses the individual performance of the Chief Executive Officer and each of our other officers. Our Chief Executive Officer assists the Compensation Committee with the performance assessment of the other officers.

### ***Competitive Factors***

For us to attract and retain qualified and experienced officers and employees, our total compensation package must be competitive with other participants in the Canadian oil and gas industry. As part of the comparative compensation analysis, the Compensation Committee was provided with (i) select Mercer market compensation information; and (ii) a summary (based on publicly available information) of the compensation paid to officers of an industry-specific peer group prepared by our Chief Executive Officer at the direction of the Compensation Committee.

For compensation purposes, we consider our peer group as follows:

Baytex Energy Corp.	Peyto Exploration & Development Corp.
Bonavista Energy Corporation	Surge Energy Inc.
Birchcliff Energy Ltd.	Tamarack Valley Energy Ltd.
Crew Energy Inc.	TORC Oil & Gas Ltd.
Enerplus Corporation	Vermillion Energy Inc.
NuVista Energy Ltd.	Whitecap Resources Inc.

The purpose of reviewing the Mercer and peer company data was to:

- understand the competitiveness of current pay and bonus levels for each executive position relative to companies of similar size and/or strategy;
- identify and understand any gaps that may exist between actual compensation levels and market compensation levels; and
- establish a basis for developing salary adjustments and short and long term incentive awards.

### ***Components of Compensation Plan***

Our executive compensation consists of essentially four components: (1) base salary; (2) bonuses; (3) long-term incentive compensation; and (4) other benefits.

In establishing the compensation program, we believe that:

- (a) base salaries provide an immediate cash incentive and should provide a base of secure compensation necessary to attract and retain executive talent;
- (b) a bonus which depends on our success and the respective employee's contribution to achieving these goals motivates immediate employee performance; and
- (c) bonus awards ensure that employees are motivated to achieve our long term growth and continuing increases in shareholder value and provide capital accumulation linked directly to our performance.

A significant percentage of each of our executive's total compensation is comprised of variable pay and long term incentives which are directly linked to corporate and individual performance. The salary component provides a base of secure compensation necessary to attract and retain executive talent.

The bonus and long-term incentives are designed to balance short-term performance with our long-term interests and motivate the superior performance of both. The long-term incentive plan also aligns NEOs with shareholders and helps retain executive talent. In line with our overall compensation philosophy that promotes ownership among our executives, a higher proportion of our NEO total compensation is tied to our long-term performance.

#### *Base Salaries*

Base salaries are an important component of the overall compensation package for officers as they are usually the largest portion of annual cash compensation. Historically, base salaries paid to our executive officers, have been in the low-range of the salaries paid to executive officers in our peer group. Our Compensation Committee believes that our long-term incentives are an important element in the compensation package for our executive officers, and that long-term incentives, such as bonus awards compensate for lower base salaries.

The base salaries of our named executive officers are reviewed annually to ensure they reflect a balance of market conditions, the levels of responsibility and accountability of each role, the skill and competencies of the individual, retention considerations as well as the level of demonstrated performance.

Base salaries of the named executive officers are set by our board on the basis of the applicable executive officer's responsibilities, experience and past performance. This is measured against the Compensation Committee's assessment of the amounts paid by companies in our peer group to persons performing similar duties. In making such an assessment, our board considers our business plan and the performance of executive officers and employees in executing the plan in combination with the overall result of the activities undertaken.

### *Cash Bonuses*

Our Compensation Committee recommends to the board an annual bonus amount for all employees and specific bonus amounts for our executive officers. The total amount of the annual bonus pool is approved by our board and is based on our performance, current market conditions and other factors considered relevant by our board.

Bonuses are intended to reward performance by our executive officers in the achievement of our strategic goals and objectives our general performance and each officer's contribution to such performance and are consistent with our compensation philosophy where a significant component of executive compensation is variable. An annual bonus may be paid based on the Compensation Committee's subjective assessment of our general performance and each officer's contribution to such performance.

Our Compensation Committee recommends to the board an annual bonus amount for employees and specific bonus amounts for officers (including NEOs). In 2018, to reduce cash costs in light of the current macro environment for the oil and gas industry, the Compensation Committee reduced 2018 annual bonuses to our named executive officers to 25% of annual salaries.

To assess annual performance, we have historically used use a series of corporate and individual performance measures and not a prescriptive performance based formula. In 2019, we are implementing a more formalistic performance bonus structure. To assess corporate performance, we intend to use a series of performance measures and objectives which, among others, may include, total shareholder return, recycle ratio, production, cost control, capital efficiency, environmental, health and safety performance and strategic plan execution. Each executive will have an annual bonus target, expressed as a percentage of base salary. An aggregate annual target bonus pool will be calculated and the size of this pool may then be adjusted up or down by the Compensation Committee's assessment of our performance on these corporate performance metrics. Our board will retain overall discretion in establishing the size of the aggregate annual bonus pool.

### *Long-term Incentives*

Our only current long-term incentive plan is our restricted bonus award incentive plan. We previously had a stock option plan in place but have not made any grants to NEO's under our stock option plan since November of 2012. See "*Incentive Plan Awards – Stock Option Plan*".

Our long-term incentive plan is designed to align the interests of our employees with shareholders by linking a component of compensation to the long-term performance of our common shares. Each bonus award entitles the holder to an amount computed by the value of a notional number of common shares designated in the award (plus dividend equivalents) on dates determined by our Compensation Committee. See "*Incentive Plan Awards – Restricted Bonus Award Incentive Plan*" below for a description of our restricted bonus award incentive plan.

Bonus awards may be granted pursuant to our restricted bonus award incentive plan by our board from time to time, at its sole discretion, to directors, officers and employees based upon their experience, expertise, contribution and potential to contribute to the creation of shareholder value and the degree to which their base salary may be lower than competitive market rates.

We consider the total targeted compensation (consisting of salaries, bonus and bonus awards) for our NEOs when approving our annual grants of bonus awards. In valuing the number of bonus awards to be granted we historically used a five day volume weighted average trading price to value the bonus award. In 2018, in order to reduce our cash costs, we increased the portion of total executive compensation payable in bonus awards.

During the year ended December 31, 2018 we granted an aggregate of 545,994 bonus awards to our NEOs as follows:

Name	Bonus Awards <sup>(1)</sup> (#)
M. Scott Ratushny Chairman and Chief Executive Officer	224,359
Dale Orton Chief Operating Officer	100,961
Shawn Van Spankeren <sup>(2)</sup> Chief Financial Officer	175,000
Robert Wollmann <sup>(3)</sup> Senior Vice President, Exploration	-
Connie Shevkenek Vice President, Engineering	45,674
Douglas Smith Former Chief Financial Officer	-

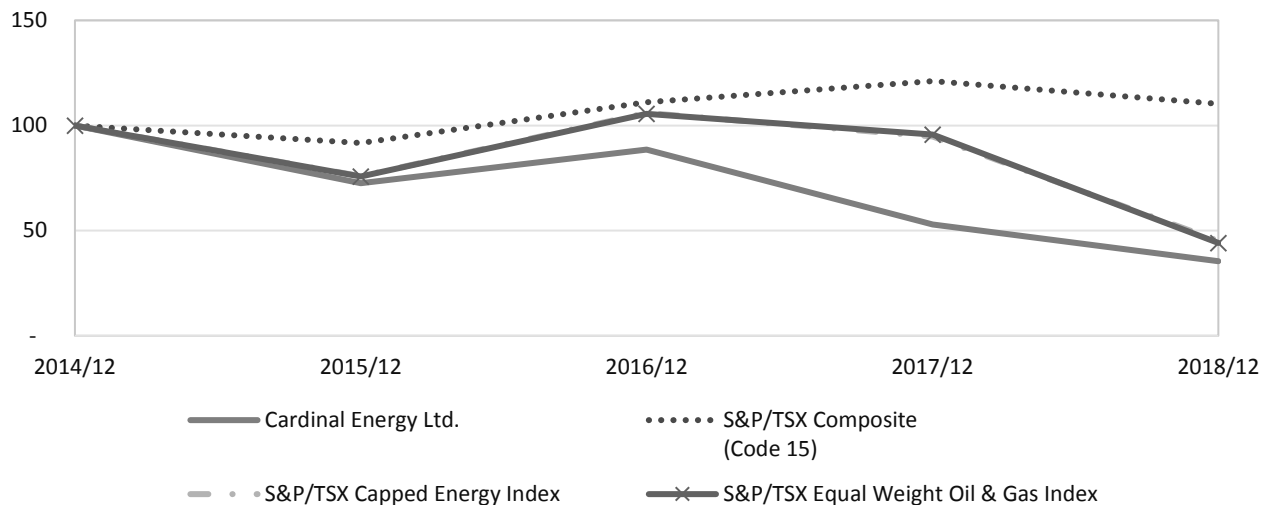
Notes:

- (1) The bonus awards are settled as to one-third per year for a period of three years.
- (2) Mr. Van Spankeren joined us in January 2018 and this was the initial grant of bonus awards which will vest over three years.
- (3) Mr. Wollman joined us in November of 2017 and his 2018 grant was deferred until March of 2019.



## Performance Graph

The following graph compares on a yearly basis the cumulative total shareholders' return from December 31, 2013 to December 31, 2018 of \$100 invested in our common shares versus the total return of \$100 invested in the S&P/TSX Capped Energy Index, the S&P/TSX Composite Index and the S&P/TSX Equal Weight Oil & Gas Index with all dividends reinvested.



Index	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018
Cardinal Common Shares	\$100	\$73	\$89	\$53	\$35
S&P/TSX Capped Energy Index	\$100	\$76	\$106	\$95	\$45
S&P/TSX Composite Index	\$100	\$92	\$111	\$121	\$110
S&P/TSX Equal Weight Oil & Gas Index	\$100	\$76	\$106	\$96	\$44

Our cumulative shareholder return performance reflects both operational and financial performance within our control as well as volatile commodity prices and economic and market conditions beyond our control with the impact of the sustained decline of world crude oil prices.

## Summary Compensation of NEOs

The following table sets forth for the years ended December 31, 2018, 2017 and 2016, information concerning the actual compensation paid to our NEOs.

Name and principal position	Year	Salary (\$)	Non-equity incentive plan compensation (\$)		Option-based awards <sup>(1)</sup> (\$)	Share-based awards <sup>(2)</sup> (\$)	All other compensation <sup>(3)(4)</sup> (\$)	Total compensation (\$)
			Annual incentive plans	Long-term incentive plans				
M. Scott Ratushny Chairman and Chief Executive Officer	2018	319,583	80,167	-	-	1,011,769	7,646	1,419,165
	2017	295,000	275,000	-	-	1,199,878	7,527	1,777,405
	2016	225,000	-	-	-	1,800,000	7,645	2,032,645
Dale Orton <sup>(5)</sup> Chief Operating Officer	2018	231,083	57,967	-	-	455,294	6,266	750,610
	2017	210,000	170,000	-	-	824,906	6,209	1,211,115
	2016	17,500	-	-	-	-	515	18,015
Shawn Van Spankeren <sup>(6)</sup> Chief Financial Officer	2018	253,958	64,042	-	-	869,173	6,255	1,193,428
Robert Wollmann <sup>(7)</sup> Senior Vice President, Exploration	2018	250,000	62,500	-	-	-	7,543	320,043
	2017	31,250	-	-	-	1,584,000	100,953 <sup>(8)</sup>	1,716,203
Connie Shevkenek <sup>(9)</sup> Vice President, Engineering	2018	190,000	47,500	-	-	205,971	6,321	449,792
	2017	190,000	170,000	-	-	332,955	6,263	699,218
	2016	159,000	-	-	-	160,000	6,411	325,411
Douglas Smith Former Chief Financial Officer	2018	9,167	-	-	-	-	293	9,460
	2017	220,000	-	-	-	549,938	7,375	777,313
	2016	180,000	-	-	-	800,000	7,329	987,329

### Notes:

- (1) No option-based awards were granted to our NEOs in the last three years.
- (2) Represents the value of bonus awards granted to our NEOs. The fair value of the bonus awards has been calculated based on the market price of our common shares at the grant date. This calculation does not include any adjustment for dividends. **These amounts are not necessarily reflective of actual amounts that may be realized.**
- (3) All other compensation includes parking and health benefit plan.
- (4) The value of perquisites received by each of the NEOs, including property or other personal benefits provided to the NEO that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the NEO's total salary for the financial year.
- (5) Mr. Orton joined us on December 1, 2016. His 2016 amounts have not been annualized.
- (6) Mr. Van Spankeren joined us on January 15, 2018. His 2018 amounts have not been annualized and his awards were part of the initial grant of bonus awards which will vest over three years.
- (7) Mr. Wollmann joined us on November 15, 2017. His 2017 amounts have not been annualized.
- (8) Includes a signing bonus of \$100,000.
- (9) Ms. Shevkenek was appointed as Vice, President, Engineering on September 1, 2016 but has been an employee since February, 2014.
- (10) Mr. Smith retired in January, 2018.

## **Incentive Plan Awards**

### ***Restricted Bonus Award Incentive Plan***

The purpose of our restricted bonus award incentive plan is to retain and attract qualified service providers and to promote a proprietary interest in us by issuing restricted bonus awards. This will provide an additional benefit for participants to contribute to our future success and prosperity. Bonus awards may be granted by our board from time to time, at its sole discretion, to directors and employees based upon their experience, expertise, contribution and potential to contribute to the creation of shareholder value and the degree to which their base salary may be lower than competitive market rates.

#### *Limitations on Awards*

The restricted bonus award incentive plan contains the following restrictions: (i) the number of common shares that are available to be issued under our restricted bonus award incentive plan is limited to 5% of our issued and outstanding common shares less the aggregate number of common shares reserved for issuance under our legacy stock option plan; (ii) the number of common shares that are available to be issued to insiders within one year and issuable to insiders at any time, under the restricted bonus award incentive plan or when combined with all of our other security based compensation arrangements, shall not exceed 5% of the common shares; (iii) the aggregate number of common shares that could be issued pursuant to bonus awards that have been granted to any single holder shall not exceed 1% of the common shares; and (iv) the participation of non-management directors in the award plan is limited to the lesser of: (A) 0.25% of the outstanding common shares; and (B) an annual equity award value of \$150,000 with the value of each bonus award calculated at the time of grant.

The number of common shares that are available to be issued in one year shall be determined on the basis of the number of common shares outstanding immediately prior to the common shares issuance, excluding any common shares issued pursuant to share compensation arrangements over the preceding one year period. Bonus awards may be granted in excess of the limits set forth in this paragraph provided that prior to the receipt of the requisite shareholder approval, as provided in the restricted bonus award incentive plan, such incentive awards may not be paid until such approval has been received.

#### *Payment Dates and Expiry*

Payment arrangements shall be as follows unless otherwise directed by our board: (i) as to one third of the award value of such bonus award, on the first anniversary of the date of grant of the bonus award; (ii) as to one-third of the award value of such bonus award, on the second anniversary of the date of grant of the bonus award; and (iii) as to the remaining one-third of the award value of such bonus award, on the third anniversary of the date of grant of the bonus award. If the holder is on a leave of absence before any of the payment dates, such payment date(s) shall be extended by that portion of the duration of the leave of absence that is in excess of three months. In the event of a change of control (as defined below) the payment date for the award value of those bonus awards that have not yet been paid as of such time shall be the effective date of the change of control. Our board may, in its sole discretion, determine that a bonus award is payable in relation to all or a percentage of the award value covered thereby for all or any bonus awards at any time and from time to time.

The restricted bonus award incentive plan provides that if a payment date occurs during a black-out period imposed pursuant to our black-out policies, such payment date shall be delayed to the date that is immediately following the last day of the black-out period if we choose to settle the bonus award in common shares or to the date that is the sixth trading day following the end of the black-out period if we choose to settle the bonus award in cash. However, in no instance can the payment date of a bonus award be delayed past the expiry date of the bonus award.

All bonus awards shall expire on December 15th of the third year following the year in which the bonus award was granted. Regardless of any other provision of the restricted bonus award incentive plan (including extension of payment dates for black-out periods and leaves of absences), no payment date of any bonus award may occur after the expiry date of such bonus award, and in the event that a payment date would occur after the expiry date, the payment date in respect of such bonus award shall be on the expiry date of such bonus award.

#### *Dividend Adjustment and Anti-Dilution*

Immediately prior to each payment date, the notional number of common shares underlying a bonus award may be adjusted by multiplying such number by a ratio which shall be equal to 1 plus the amount rounded to the nearest five decimal places, equal to a fraction having as its numerator the arithmetic total of the dividends, expressed as an amount per common share, declared on each dividend record date following the issue date of the bonus award and having as its denominator the 5 day weighted average trading price of the common shares for the 5 trading days immediately before the first business day of the calendar months in which the issue date occurs. If the holder has been on a leave of absence at any time since the date of grant, the notional number of common shares issuable will not be adjusted for any dividends paid during the period of such leave of absence. Our board of directors reserves the right to make any additional adjustments to the number of notional common shares to be issued pursuant to any bonus award if, in the sole discretion of the board, such adjustments are appropriate in the circumstances having regard to the principal purposes of the award plan and the terms of the award.

Our board also has the election to cause to be paid out to a holder in cash, at any time and from time to time, any dividends that have been paid since the issue date of the bonus award regardless of whether the bonus award has vested. In 2019, we settled all dividend entitlements on outstanding bonus awards in cash.

The restricted bonus award incentive plan also contains anti-dilution provisions which allow our board to make such adjustments to the restricted bonus award incentive plan, to any bonus awards and to any incentive award agreements outstanding under the restricted bonus award incentive plan as our board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to service providers thereunder.

#### *Settlement of Bonus Awards*

On a payment date we, in our sole and absolute discretion, shall have the option of settling the award value payable in respect of a bonus award by: (i) payment in cash; (ii) payment in common shares acquired in the market; (iii) payment in common shares issued from treasury; or (iv) a combination of the above. We will not determine what form the payment method will be until the payment date or some reasonable

time prior to the payment date. No holder of a bonus award has the right, at any time, to demand the form of payment. Notwithstanding our election to pay any award value, or portion of any award value, in common shares, we reserve the right to change the election at any time until the payment is actually made and the holder of such bonus award shall not have any right to enforce payment of any portion of the award value in common shares.

Where we elect to settle the award value underlying a bonus award by issuing common shares, and the determination of the number of common shares to be delivered to a holder on a particular payment date would result in the issuance of a fractional common share, we will credit to an account for each holder all fractions of a common share amounting to less than one whole common share issued by us to a holder. From time to time, when the fractional interests in a common share held for the account of a holder are equal to or exceed in the aggregate one additional whole common share, we will cause an additional whole common share to be registered as directed by the holder. No certificates representing a fractional common share shall be delivered pursuant to the award plan nor shall any cash amount be paid at any time in lieu of any such fractional interest.

#### *Early Termination Events*

Unless otherwise determined by our board or unless otherwise provided in an incentive award agreement pertaining to a particular bonus award or any written employment or consulting agreement governing a holder's role with us, in the event that a holder ceases to be employed or retained for any reason whatsoever, other than the death or disability of such holder, all outstanding incentive award agreements under which bonus awards have been made to such holder and for the payment date has not yet occurred, shall be terminated and the holder shall only be entitled to receive the award value for the outstanding bonus awards for which the payment date would fall between the date that the holder ceased to be employed or retained and the date that is thirty (30) days from such date. Upon the termination of any employee for cause, our board may, in its sole discretion, determine that all outstanding and unpaid bonus awards shall immediately terminate and become null and void on the date that the holder ceased to be employed or retained. Notwithstanding the foregoing, at no time shall the payment date occur after the expiry date.

Upon the death or disability of a holder prior to the expiry date, the holder or the holder's legal representative shall only be entitled to receive the award value for the outstanding bonus awards for which the payment date would fall between the date of death or disability and the date that is six months from such date.

Other than a transfer of a bonus award to a holder's legal representative on death or disability, the bonus awards granted under the restricted bonus award incentive plan are non-transferrable.

#### *Change of Control*

The restricted bonus award incentive plan also provides that vesting of all bonus awards will accelerate on "change of control" which is deemed to occur upon the effective date of the earlier of any of the following events, provided that such event results in an actual change of control:

- a successful "take-over bid" as defined in MI 62-104 or any replacement or successor provisions, which is not exempt from the take-over bid requirements of MI 62-104, pursuant to which the "offeror" as a result of such take-over bid, beneficially owns, directly or indirectly, in excess of 50% of our outstanding common shares;
- the issuance to or acquisition by any person, or group of persons acting in concert, directly or indirectly, including through an arrangement, merger or other form of reorganization of us, of our common shares of which the aggregate total of 50% or more of the then outstanding common shares; and
- the winding-up, dissolution or termination or the sale, lease or transfer of all or substantially all of our directly or indirectly held assets to any other person or persons (other than pursuant to an internal reorganization or in circumstances where our business is continued),

provided that notwithstanding the application of any of the foregoing, a "change of control" shall be deemed to not have occurred:

- pursuant to an arrangement, merger or other form of reorganization of us where the holders of our outstanding voting securities or interests immediately prior to the completion of the reorganization will hold more than 50% of the outstanding voting securities or interests of the continuing entity upon completion of the reorganization; or
- if a majority of our board determines that in substance the arrangement, merger or reorganization is such that a "change of control" should be deemed to not have occurred and any such determination shall be binding and conclusive for all purposes of the award plan.

#### *Amendments*

The restricted bonus award incentive plan and any bonus awards granted thereunder may be amended, modified or terminated by our board without shareholder approval, subject to any required approval of the TSX. Notwithstanding the foregoing, the restricted bonus award incentive plan and any bonus awards granted under the restricted bonus award incentive plan may not be amended without shareholder approval to: (i) extend the expiry date of any outstanding bonus awards; (ii) permit a holder to transfer or assign bonus awards to a new beneficial holder other than in the case of death of the holder; (iii) increase the number of common shares that may be issued to service providers above the restriction in the restricted bonus award incentive plan; (iv) amend the limits on non-management director participation; (v) increase the number of common shares that may be issued to insiders above the restriction contained in the restricted bonus award incentive plan; or (vi) amend the amendment provision. In addition, no amendment to the restricted bonus award incentive plan or bonus awards granted pursuant to the restricted bonus award incentive plan may be made without the consent of the holder, if it adversely alters or impairs any right previously granted to such holder under the restricted bonus award incentive plan.

### **Plan Amendments**

In 2019, we made minor housekeeping amendments to our restricted bonus award incentive plan which did not require shareholder approval.

### **Stock Option Plan**

We have phased out our stock option plan and have not made any grants under the plan since November of 2012. As of March 28, 2019 an aggregate of 6,945 stock options remained outstanding with a weighted average exercise price of \$8.40.

### **Outstanding Share-Based Awards**

The following table sets forth for each NEO, all share-based awards outstanding at the end of the year ended December 31, 2018. Our NEOs did not have any option-based awards outstanding as of December 31, 2018.

Name	Share-based Awards	
	Number of awards that have not vested (#) <sup>(1)</sup>	Estimated payout value of awards that have not vested <sup>(2)</sup> (\$)
M. Scott Ratushny	388,905	863,369
Dale Orton	153,341	340,417
Shawn Van Spankeren	175,000	388,500
Robert Wollmann	220,000	488,400
Connie Shevkenek	74,670	165,767
Douglas Smith	-	-

Notes:

- (1) Represents bonus awards which are settled equally over three years and expire on December 15th on the third year following the year of grant. Bonus awards are adjusted for dividends declared and the value of the bonus award may be settled in cash, common shares or a combination thereof at our discretion.
- (2) Calculated by multiplying the number of bonus awards that had not been settled by December 31, 2018 by the market price of our common shares at December 31, 2018 (\$2.22). This calculation does not include the value of the adjustments for dividends on the awards. Awards are settled on the vesting date.

### ***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table sets forth for each NEO, the value of share-based awards which vested during the year ended December 31, 2018. Our NEOs did not have any option-based awards that vested during the year ended December 31, 2018.

<b>Name</b>	<b>Share-based awards – Value vested during the year <sup>(1)(2)</sup></b>
M. Scott Ratushny	960,437
Dale Orton	139,559
Shawn Van Spankeren	-
Robert Wollmann	309,721
Connie Shevkenek	121,127
Douglas Smith	445,429

Notes:

- (1) Includes bonus awards granted to our NEOs in the past three years.
- (2) Represents the sum of the value of bonus awards settled during the year ended December 31, 2018. The value of the bonus awards is based on the market price of our common shares on the payment date multiplied by the number of common shares issued in satisfaction of the bonus award.

### ***Employment Contracts***

We have employment contracts with each of Messrs. Ratushny, Orton, Van Spankeren and Wollmann and Ms. Shevkenek.

In the case of our Chief Executive Officer, the employment contract provides for a payment of twelve (12) months' salary, plus one (1) month for each full or partial year of employment to a maximum of twenty-four (24) months and 20% of this amount to cover loss of any benefit eligibility and an amount equal to one times our Executive Officer's bonus for the prior year preceding the termination date, if our Chief Executive Officer's employment is terminated by us other than for cause. In the event of a change of control (as defined in the employment agreement), our Chief Executive Officer has the right for a period of ninety days following the change of control to terminate his employment agreement and receive the same payment.

In the case of our Chief Operating Officer, Chief Financial Officer and our Vice President, Engineering, each employment contract provides for a payment of four (4) months' salary, plus one (1) month for each full or partial year of employment to a maximum of twenty-four (24) months and an additional 20% of such amount to cover loss of any bonus and benefit eligibility if the NEO is terminated by us other than for cause. If the Chief Operating Officer, Chief Financial Officer or our Vice President, Engineering is terminated following a change of control (as defined in the employment contract) for good reason (as defined in the employment contract), they shall be entitled to the same payment plus an additional six (6) months' salary.



In the case of our Senior Vice President, Exploration, the employment contract provides for a payment of six (6) months' salary, plus two (2) months for each full or partial year of employment to a maximum of eighteen (18) months and an amount equal to the average of our Senior Vice President bonus for the prior two years preceding the termination date to cover loss of any bonus and benefit eligibility if the Senior Vice President, Exploration is terminated by us other than for cause. If the Senior Vice President, Exploration is terminated following a change of control (as defined in the employment contract) by us or by the Senior Vice President, Exploration for good reason (as defined in the employment contract), the Senior Vice President, Exploration shall be entitled to the same payment.

Under our bonus award incentive plan, in the event of a change of control (as defined therein) the payment date for the award value of those bonus awards that have not yet been paid as of such time shall be the effective date of the change of control although our board may, in its sole discretion, determine that an award is payable in relation to all or a percentage of the award value covered thereby for all or any awards at any time and from time to time.

The following table sets forth the estimated incremental payments (rounded to the nearest thousand dollars) that would be made to each of our NEOs that were NEOs on December 31, 2018 assuming that a change of control event occurred on December 31, 2018.

Name	Salary (\$)	Option-based Awards <sup>(1)</sup> (\$)	Share-based Awards <sup>(2)</sup> (\$)	Total Incremental Payment (\$)
M. Scott Ratushny	827,500	-	863,369	1,690,869
Dale Orton	301,583	-	340,417	642,000
Shawn Van Spankeren	295,917	-	388,500	684,417
Robert Wollmann	270,833	-	488,400	759,233
Connie Shevkenek	275,500	-	165,767	441,267

Notes:

- (1) The value is calculated upon difference between the exercise price of the stock options and the closing price of our common shares on the TSX on December 31, 2018 of \$2.22.
- (2) The value is calculated based upon the closing price of our common shares on the TSX on December 31, 2018 of \$2.22 and the number of share based awards outstanding. No adjustment has been made for dividends.

### Liability Insurance of Directors and Officers

We maintain directors' and officers' liability insurance coverage for losses to us if we are required to reimburse directors and officers, where permitted, and for direct indemnity of directors and officers where corporate reimbursement is not permitted by law. This insurance protects us against liability (including costs), subject to standard policy exclusions, which may be incurred by directors and/or officers acting in such capacity for us. All of our directors and officers are covered by the policy and the amount of insurance applies collectively to all. The annual cost for this insurance in 2018 was \$71,402.

In addition, we have entered into indemnity agreements with each of our directors and officers pursuant to which we have agreed to indemnify such directors and officers from liability arising in connection with the performance of their duties. Such indemnity agreements conform to the provisions of the *Business Corporations Act* (Alberta).

## **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following sets forth information in respect of securities authorized for issuance under our equity compensation plans as at December 31, 2018.

<b>Plan Category <sup>(1)</sup></b>	<b>Number of securities to be issued upon exercise of outstanding stock options and bonus awards <sup>(2)</sup> (a)</b>	<b>Weighted average exercise price of outstanding stock options (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(3)(4)(5)(6)</sup> (c)</b>
Stock Option Plan	12,501	\$8.40	-
Restricted Bonus Award Incentive Plan	3,444,409	N/A	2,352,944 (2.0%)
<b>Total</b>	<b>3,456,910 (3.0%)</b>		<b>2,352,944 (2.0%)</b>

Notes:

- (1) Our stock option plan was put in place prior to us becoming a public company and has not been approved by our shareholders.
- (2) Does not include dividend equivalents that will accumulate on the underlying grants, if applicable.
- (3) The maximum number of common shares available for issuance under the restricted bonus award incentive plan is limited to 5% of our issued and outstanding common shares less the aggregate number reserved for issuance under our stock option plan. All of the available amounts have been allocated to the restricted bonus award incentive plan.
- (4) During the year ended December 31, 2018, nil common shares were issued upon exercise of outstanding stock options and 1,379,959 common shares were issued for payment of outstanding bonus awards.
- (5) As at March 28, 2019, there were 6,945 stock options and 5,445,630 bonus awards outstanding.
- (6) The percentage available for grant is based on the 116,197,095 common shares outstanding as at December 31, 2018.

The following table summarizes the number of bonus awards granted to our directors, officers and employees for the past three years and the potential dilutive effect of such awards.

Year	Awards Granted	Weighted Average Common Shares Outstanding	Burn Rate
2016	1,882,960	70,096,881	2.7%
2017	2,069,410	94,113,417	2.2%
2018	2,166,499	114,640,928	1.8%

Notes:

- (1) The burn rate is calculated by dividing the number of bonus awards granted during the period by the weighted average number of common shares outstanding during such period.
- (2) The awards granted vest over a 3 year period.

## CORPORATE GOVERNANCE

### Independence

All of our current directors, other than Mr. Ratushny, are independent. Our board has determined that Messrs. Johnson, Tisdale and Ms. Sterling are independent since they do not have any current or past business relationship with us other than as independent directors.

Mr. Brussa is Chairman of the law firm Burnet, Duckworth & Palmer LLP who provides legal services to us. Our board has concluded that Mr. Brussa is independent and capable of exercising independent judgment after considering, among other things: (i) that the fees charged by Burnet, Duckworth & Palmer LLP to us is less than 1% of Burnet, Duckworth & Palmers LLP's total income; (ii) Mr. Brussa's equity interest in Burnet, Duckworth & Palmer LLP; (iii) Mr. Brussa's common share ownership position and personal financial circumstances; and (iv) the statutory guidance with respect to the meaning of independence contained in National Instrument 58-101.

Our board of directors has determined that Mr. Ratushny is not independent as he is also our Chief Executive Officer. Mr. Ratushny is also the Chairman of our board. Although Mr. Ratushny is not independent, after considering, among other things, Mr. Ratushny's equity ownership position and personal financial circumstances, our board is of the view that the board functions independently of management and that the board is organized properly, functions effectively and meets its obligations and responsibilities, including those matters set forth in the mandate of our board.

Our independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, in accordance with the mandate of our board, at the end of or during each regular board and committee meeting, the members of our management who are present at such meeting leave the meeting in order that the independent directors can discuss any necessary matters without management being present. During our most recently completed financial year, our independent directors have held • such meetings.

The following directors are presently directors of other issuers that are reporting issuers (or the equivalent):

<b>Name of Director</b>	<b>Name of Other Reporting Issuers</b>
John A. Brussa <sup>(1)</sup>	Crew Energy Inc. Leucrotta Exploration Inc. Storm Resources Ltd. TORC Oil & Gas Ltd.
David D. Johnson	Secure Energy Services Inc. TORC Oil & Gas Ltd.
M. Scott Ratushny	None
Stephanie Sterling	None
Gregory T. Tisdale	None

Note:

- (1) Mr. Brussa is also currently a director of Just Energy Inc. However, in order to comply with governance best practices relating to over-boarding and to ensure an orderly transition, Mr. Brussa has informed Just Energy Inc. that he will not be standing for re-election at the 2019 annual shareholders meeting. Mr. Brussa has also confirmed that he will not seek any other additional public board appointments.

### **Board Mandate**

Our Board, either directly or through its committees, is responsible for the supervision of management of our business and affairs with the objective of enhancing shareholder value. A copy of the mandate of our board is attached as Appendix "A".

### **Board Committees**

Our board has four committees, the Audit Committee, Environmental, Social and Corporate Governance Committee, the Reserves Committee and the Compensation Committee.

### **Committee Composition**

The following table outlines the composition of our board committees as at December 31, 2018.

Name of Director	Independent	Committee Composition			
		Audit	Environmental, Social and Corporate Governance	Reserves	Compensation Committee
John A. Brussa	Yes	-	✓	-	Chair
David D. Johnson	Yes	✓	-	Chair	✓
M. Scott Ratushny <sup>(1)</sup>	No	-	✓	✓	-
Stephanie Sterling	Yes	✓	✓	✓	-
Gregory T. Tisdale	Yes	Chair	-	-	✓

Note:

(1) Mr. Ratushny is our Chairman and Chief Executive Officer

### **Audit Committee**

The members of the Audit Committee are Mr. Gregory T. Tisdale (Chair), Mr. David D. Johnson and Ms. Stephanie Sterling. Each member of the audit committee is independent and financially literate within the meanings of NI 52–110.

The Audit Committee reviews our annual and interim financial statements and related management's discussion and analysis prior to their submission to our board for approval. They oversee the work of the external auditors, review the appropriateness of significant accounting policies and changes in accounting principles and review our process for testing internal control systems and procedures.

For further information about our Audit Committee and the Audit Committee mandate, please see the Audit Committee section of our Annual Information Form, which is available under our profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). A copy of the mandate of our Audit Committee is also available on our website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca).

### **Environmental, Social and Corporate Governance Committee**

In August of 2018, the Corporate Governance & Compensation Committee was split into the Environmental, Social and Corporate Governance Committee and the Compensation Committee. The members of the Environmental, Social and Corporate Governance Committee are Mr. John Brussa, Mr. Scott Ratushny and Ms. Stephanie Sterling. The majority of the members of the committee are independent within the meanings of NI 52–110.

The primary responsibility of this committee is to assist our board in fulfilling its responsibility by reviewing matters relating to corporate governance and to review, report and make recommendations to the board on the development and implementation of our policies, standards and practices with respect to health, safety and environment.

A copy of the mandate of our Environmental, Social and Corporate Governance Committee is available on our website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca).

### **Compensation Committee**

The members of the Compensation Committee are Mr. John A. Brussa (Chair), Mr. David D. Johnson and Mr. Greg Tisdale, all of whom are independent.

The Compensation Committee's mandate is to formulate and make recommendations to our board in respect of compensation issues relating to our directors, officers and employees.

Among other things, the Compensation Committee reviews management's recommendations for proposed incentive compensation plans and equity based plans and making recommendations in respect thereof to our board.

A copy of the mandate of our Compensation Committee is available on our website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca). See also "*Executive Compensation – Compensation Discussion and Analysis*".

### **Reserves Committee**

The current members of the Reserves Committee are Mr. David D. Johnson (Chair), Mr. M. Scott Ratushny and Ms. Stephanie Sterling.

Our board has delegated to the reserves committee responsibility for matters set forth in respect of the responsibilities of the board in relation to National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

A copy of the mandate of our Reserves Committee is available on our website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca).

### **Position Descriptions**

Our board has approved written position descriptions or terms of reference for our Chairman and the Chair of each of our committees. The board has developed a written position description for the Chief Executive Officer.

### **Orientation and Continuing Education**

We do not currently have a formal orientation and educational program for new recruits to our board. However, we provide such orientation and education on an informal basis. Our board believes that this is a practical and effective approach in light of our particular circumstances, including our size, the limited turnover of our directors and the experience and expertise of the members of our board.

Directors are encouraged to attend, enrol in or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters. Each director has the responsibility for ensuring that he maintains the skill and knowledge necessary to meet his or her obligations as a director.

## **Ethical Business Conduct**

Our board has adopted a code of business conduct and ethics, a copy of which is available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Our officers and directors are required to confirm his or her understanding, acceptance and compliance of the code on an annual basis. Any reports of variance from the code will be reported to our board.

In accordance with the *Business Corporations Act* (Alberta), directors who are party to, or are a director or officer of a person which is a party to, a material contract or material transaction or a proposed material contract or a proposed material transaction with us are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of our board may be formed to deliberate on such matters in the absence of the interested party.

Our board has also adopted a whistleblower policy which provides employees with the ability to report, on a confidential and anonymous basis, any violations including (but not limited to), criminal conduct, falsification of financial records or unethical conduct. Our board believes that providing a forum for employees, officers and directors to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness foster a culture of ethical conduct.

## **Board Nominations**

Our Environmental, Social and Corporate Governance Committee has the responsibility for establishing a nomination process and making recommendations to our board with respect to nomination of directors. The majority of the members of the environmental, social and corporate governance committee are independent within the meanings of NI 52-110.

When considering nominations, the committee considers: (i) what competencies and skills the board, as a whole should possess; (ii) the competencies and skills each existing director possesses; (iii) the competencies and skills each proposed nominee will bring to the board; and (iv) whether the new nominee can devote sufficient time and resources to his or her duties as a member of the board.

Directors are selected for their integrity and character, sound and independent business judgement, experience, insight and knowledge of our business and industry and overall business acumen. Each of our directors is expected to have these qualities and to apply sound and reasonable judgement in aiding our board to make thought-out and informed decisions and to counsel our senior management.

Our Environmental, Social and Corporate Governance Committee has established the following "skills matrix" outlining the skills and experience which they believe are required by the members of our board of directors. This skills matrix is reviewed annually by the committee and updated as necessary.

<b>SKILLS MATRIX</b>	
<b>Executive Leadership</b>	Experience as a CEO or equivalent.
<b>Enterprise Risk Assessment</b>	Board or executive experience in evaluating and managing risks in the oil and natural gas business.
<b>Value Creation</b>	Board or executive experience in evaluating, and executing on, value creation opportunities through acquisitions, divestiture, mergers or developmental opportunities.
<b>Health, Safety &amp; Environment</b>	Board or management experience with environmental compliance and workplace health and safety in the oil and gas industry.
<b>Operations</b>	Management experience with oil and natural gas operations.
<b>Reserves and Resource Evaluation</b>	Board experience with, or management responsibility for, oil and natural gas reserve and resource evaluation and reporting.
<b>Compensation and Human Resources</b>	Management experience in human resources and executive compensation.
<b>Accounting &amp; Finance</b>	Financial literacy in reading financial statements, financial accounting and operational accounting experience as well as corporate finance knowledge and experience usually from senior accounting and financial management, audit firm background or banking experience.
<b>Legal, Regulatory and Governmental</b>	Broad understanding of corporate, securities, land tenure and oil and natural gas law, regulatory regimes in Western Canada and governmental royalty, incentive and taxation policies usually through management experience or a legal background.
<b>Corporate Governance</b>	Broad understanding of good corporate governance usually through experience as a board member or as a senior executive officer.

In seeking nominees, the Environmental, Social and Corporate Governance Committee encourages input from all members of our board. Our Environmental, Social and Corporate Governance Committee also maintains a list of potential board members. In establishing this list, the committee considers both the "skills matrix" described above and board diversity.

The committee is also authorized under its charter to retain experts to assist them in finding qualified candidates.

### **Board Diversity**

In response to the capital markets' desire for more clarity and information, our board has adopted a policy regarding board diversity and term length. Our board believes that board nominations should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements of the board at the time. We are committed to a meritocracy and believe that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide the leadership needed to achieve our business objectives, without reference to their age, gender, race, ethnicity or religion, is in our best interests and all of our stakeholders.



We have not adopted any targets with respect to the number of female directors on our board. Our board does not believe it to be in our best interest to implement arbitrary targets in determining the best directors. However, our board is committed to achieving diversity. In 2017, we reported our plans to conduct a search for an appropriate female candidate to add to our board. Our search resulted in us adding an excellent member, Stephanie Sterling, to our board in August of 2017. As a result, we now have one female board member, which represents 20% of our current total board positions.

To ensure the effectiveness of the board diversity policy, the Environmental, Social and Corporate Governance Committee will continue to review the number of women considered or brought forward as potential nominees for board positions when we are looking to add additional members or replace existing members and the skills, knowledge, experience and character of any such women candidates relative to other candidates to ensure that women candidates are being fairly considered relative to other candidates.

Our Environmental, Social and Corporate Governance Committee is authorized under its mandate to retain experts to assist it in fulfilling its responsibilities. To the extent that the committee retains an expert to assist it in "board searches" for qualified candidates, the committee will provide direction to such experts to endeavour to bring forward women candidates for consideration as nominees to the board.

### **Board Assessment**

Our Environmental, Social and Corporate Governance Committee annually assesses our board and its committees. In addition, our Environmental, Social and Corporate Governance Committee reviews the skills and experience of our current directors and assesses the knowledge and character of all nominees to our board of directors to ensure general compliance with the skills matrix approved by the committee. Our board has satisfied itself that the board, its committees and individual directors are performing effectively through this process and our board has determined that the required skills are well represented by the current slate of director nominees for election at the meeting.

We have a formal process of assessing our board and its committees, under the direction of the Environmental, Social and Corporate Governance Committee. This process consists of an annual written director self-assessment completed by all directors.

The following outlines the experience and background of, but not necessarily the technical expertise of, our outside directors based on information provided by such individuals:

Name	Executive Leadership	Enterprise Risk Assessment	Value Creation	Health, Safety & Environment	Operations	Reserves and Resource Evaluation	Compensation and Human Resources	Accounting & Finance	Legal, Regulatory and Governmental	Corporate Governance
John A. Brussa	✓	✓	✓	-	-	-	✓	-	✓	✓
David D. Johnson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Stephanie Sterling	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Gregory T. Tisdale	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

### Director Term Limits

Our board of directors does not believe that fixed term limits are in our best interests. Our corporate governance & compensation committee considers both the term of service of individual directors, the average term of the board as a whole and turnover of directors over prior three years when proposing a slate of nominees. The committee considers the benefits of regular renewal in the context of the needs of the board at the time and the benefits of the institutional knowledge of the board members.

### Succession Planning

Our board receives regular updates on the status of the succession plans and the professional development of our executive officers and senior managers within our organization.

We currently have one woman serving in an executive officer position, which represents 11% of our nine executive officers. We have not adopted any targets with respect to the number of female executives within our organization and we do not specifically consider the level of representation of women in executive officer positions when making executive officer appointments. Our board does not believe it to be in our best interest to implement arbitrary targets in determining the best executives. Consistent with our board diversity policy, our board has determined that executive officer appointments should be made on the basis of the skills, knowledge, experience and character of individual candidates. We are committed to a meritocracy and believe that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide the leadership needed to achieve our business objectives, without reference to their age, gender, race, ethnicity or religion, is in our best interests and all of our stakeholders.

## OWNERSHIP GUIDELINES

Our Board believes it is important that our directors and our senior officers demonstrate their commitment to our stewardship through common share ownership. In 2016, following a review of our executive compensation governance practices, we established an equity ownership policy that non-management directors must have an equity ownership interest in our common shares within three years of joining our board of at least 20,000 common shares. Following the phase-in period, directors are expected to be in continuous compliance with these guidelines.

Our equity ownership policy also extends to our Chief Executive Officer, Chief Financial Officer and all of our other executive officers. In 2017, following a review of our executive compensation governance practices, we established a policy that requires these officers to maintain an equity ownership interest in at least 30,000 common shares within a period of three years from the later of: (a) January 1, 2017, and (b) the date of their appointment. Following the phase-in period, these officers are expected to be in continuous compliance with these guidelines.

The following table sets out the total ownership level of our Chief Executive Officer, our Chief Financial Officer, each of our other executive officers and each of our non-management directors as at March 28, 2019, relative to our equity ownership policy:

Name	Ownership Guideline (#)	Ownership (#)	Guideline Met (Y) or Investment Required to Meet Guideline
<b><i>Named Executive Officers:</i></b>			
M. Scott Ratushny	30,000	1,659,031	YES
Dale Orton	30,000	49,930	YES
Shawn Van Spankeren	30,000	66,333	YES
Robert Wollmann	30,000	85,200	YES
Laurence Broos	30,000	51,048	YES
Connie Shevkenek	30,000	69,147	YES
Wes Heatherington	30,000	-	In Process <sup>(1)</sup>
Jason Laforge	30,000	35,975	YES
Ken Younger	30,000	12,092	In Process <sup>(1)</sup>
David Kelly	30,000	63,548	YES
<b><i>Directors:</i></b>			
John A. Brussa	20,000	1,227,677	YES
David D. Johnson	20,000	426,467	YES
Stephanie Sterling	20,000	26,211	YES
Gregory T. Tisdale	20,000	58,254	YES

Note:

- (1) These executives have become officers within the last three years and have a period of three years from the date of their appointment to meet our ownership guidelines.

## **OTHER MATTERS COMING BEFORE THE MEETING**

Management knows of no other matters to come before the meeting other than those referred to in the accompanying notice of annual meeting. Should any other matters properly come before the meeting, the common shares represented by proxy solicited by this information circular – proxy statement will be voted on such matters in accordance with the best judgment of the person voting such proxy.

## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

None of our directors or officers, or any person who has held such a position since the beginning of the our last completed financial year, nor any nominee for election as a director, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the meeting other than as disclosed herein.

## **INTEREST OF INFORMED PERSONS AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed or as otherwise publicly disclosed by us, none of our directors, officers, principal shareholders, or informed persons (as defined in National Instrument 51-102), and no associate or affiliate of any of them, has or has had any material interest in any transaction since the commencement of our most recently completed financial year or in any proposed transactions which has materially affected or would materially affect us.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

Our auditors are KPMG LLP, Chartered Professional Accountants, Suite 3100, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 4B9. KPMG LLP has been our auditors since inception.

The transfer agent and registrar for the common shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

## **ADDITIONAL INFORMATION**

Financial information is provided in our comparative audited financial statements and related management's discussion and analysis for the year ended December 31, 2018. To receive a copy of these financial statements and related management's discussion and analysis please contact us at Suite 600, 400 – 3rd Avenue S.W., Calgary, Alberta T2P 4H2. This information and additional information relating to us may also be accessed on our website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## APPENDIX "A"

### CARDINAL ENERGY LTD. BOARD OF DIRECTORS MANDATE AND TERMS OF REFERENCE

#### **Role and Objective**

The board of directors (the "**Board**") of Cardinal Energy Ltd. ("**Cardinal**" or the "**Corporation**") is responsible for the stewardship of Cardinal. In discharging its responsibility, the Board will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and will act honestly and in good faith with a view to the best interests of Cardinal. In general terms, the Board will:

- (a) in consultation with the Chief Executive Officer of Cardinal (the "**CEO**"), define the principal objectives of Cardinal;
- (b) supervise the management of the business and affairs of Cardinal with the goal of achieving Cardinal's principal objectives as developed in association with the CEO;
- (c) discharge the duties imposed on the Board by applicable laws; and
- (d) for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

#### **Specific Duties and Responsibilities**

##### ***Executive Team Responsibility***

1. Appoint the CEO and other officers, approve their compensation, and monitor the CEO's performance against a set of mutually agreed corporate objectives directed at maximizing shareholder value;
2. in conjunction with the CEO, develop a clear mandate for the CEO, which includes a delineation of management's responsibilities;
3. establish processes as required that adequately provide for succession planning, including the appointing, training and monitoring of senior management; and
4. establish the limits of authority delegated to management.

##### ***Operational Effectiveness and Financial Reporting***

1. Annually review and adopt a strategic planning process and approval of Cardinal's strategic plan, which takes into account, among other things, the opportunities and risks of the business;
2. establish, or cause to be established, systems to identify the principal risks to Cardinal and ensure that the best practical procedures are in place to monitor and mitigate the risks;

3. establish, or cause to be established, processes to address applicable regulatory, corporate, securities and other compliance matters;
4. establish, or cause to be established, an adequate system of internal control;
5. establish, or cause to be established, due diligence processes and appropriate controls with respect to applicable certification requirements regarding Cardinal's financial and other disclosure;
6. Review and approve Cardinal's financial statements and oversee Cardinal's compliance with applicable audit, accounting and reporting requirements;
7. approve annual operating and capital budgets;
8. review and consider for approval all amendments or departures proposed by management from established strategy, capital and operating budgets;
9. review and consider for approval all amendments to the Corporation's capital structure; and
10. review operating and financial performance results relative to established strategy, budgets and objectives.

***Integrity/Corporate Conduct***

1. Establish a communications policy or policies to ensure that a system for corporate communications to stakeholders exists as required by applicable law; and
2. approve a Code of Business Conduct and Ethics for directors, officers and employees and monitor compliance with the Code and approve any waivers of the Code for officers and directors; and
3. to the extent feasible, satisfy itself as to the integrity of the CEO and other executive officers of Cardinal and that the CEO and other executive officers create a culture of integrity throughout Cardinal.

***Board Process/Effectiveness***

1. Annually review and re assess the adequacy of the mandates of the Board and its committees and implement such amendments to those mandates as are necessary or desirable;
2. consider and, if thought fit, approve requests from directors, committees of directors or from the engagement of special advisors from time to time;
3. review on a periodic basis the composition of the Board to ensure that an appropriate number of independent directors sit on the Board and each committee and analyze the needs of the Board and recommending nominees who meet such needs;

4. assess at least annually, the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including considering the appropriate size of the Board;
5. approve the nomination of directors;
6. provide a comprehensive orientation to each new director;
7. establish an appropriate system of corporate governance including practices to ensure the Board functions independently of management;
8. attempt to ensure that Board materials are distributed to directors in advance of regularly scheduled meetings to allow for sufficient review of the materials prior to the meeting. Directors are expected to attend all Board meetings;
9. establish committees and approve their respective mandates and the limits of authority delegated to each committee;
10. review the adequacy and form of the directors' compensation to ensure it realistically reflects the responsibilities and risks involved in being a director;
11. the Board may delegate its duties to, and receive reports and recommendations from, any committee of the Board;
12. each member of the Board is expected to understand the nature and operations of Cardinal's business, and have an awareness of the political, economic and social trends prevailing in all countries or regions in which Cardinal operates, or is contemplating potential operations; and
13. in addition to the above, adherence to all other Board responsibilities as set forth in Cardinal's By Laws, any other material agreements to which the Corporation is a party, applicable policies and practices and other statutory and regulatory obligations, such as issuance of securities, etc., is expected.

#### **Meetings and Administrative Matters**

1. The time at which and place where the meetings of the Board shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Board, unless otherwise determined by the by-laws of the Corporation.
2. Agendas, approved by the Chairman will be circulated to Board members along with background information on a timely basis prior to Board meetings.
3. The Board may invite such officers, directors and employees of the Corporation and its subsidiaries as it sees fit from time to time to attend at meetings of the Board and assist in the discussion and consideration of the matters being considered by the Board.
4. Minutes of the Board will be recorded and maintained.

5. If determined appropriate, following meetings of the Board, 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 Board or as otherwise determined by the Board.
6. The Board 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 Board and at the expense of Cardinal.
7. Independent directors shall meet regularly, and in no case less frequently than quarterly, without non independent directors and management participation.

*Approved by the Board of Directors effective March 22, 2019.*











TSX: CJ

CARDINAL ENERGY LTD.

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CALGARY, AB T2P 4H2

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