



AUDIT COMMITTEE

MANDATE AND TERMS OF REFERENCE

Establishment of Committee

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

Role and Objective

1. The purpose of the Committee is to assist the Board in fulfilling its responsibilities for the oversight of the following respecting Cardinal:
 - a. the nature and scope of the annual audit;
 - b. the oversight of management's reporting and practices on internal financial and accounting standards;
 - c. the review of the adequacy of financial information, accounting systems and procedures;
 - d. financial reporting and financial statements,

and the Board has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements, management's discussion and analysis and any public disclosures containing financial information.

2. The primary objectives of the Committee are as follows:
 - a. to assist directors of the Corporation ("**Directors**") in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Cardinal and related matters;
 - b. to provide better communication between the Directors and external auditors;
 - c. to enhance the external auditor's independence;
 - d. to increase the credibility and objectivity of financial reports; and
 - e. to strengthen the role of the outside Directors by facilitating in depth discussions between Directors on the Committee, management of Cardinal ("**Management**") and the external auditors.

Membership of Committee

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

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

Specific Duties and Responsibilities

To carry out its responsibilities, the Committee shall:

1. oversee and assess the work of the external auditors, including the resolution of any disagreements between Management and the external auditors regarding financial reporting;
2. approve the compensation of the external auditors;
3. satisfy itself on behalf of the Board with respect to Cardinal's internal control systems;
4. review the annual and interim financial statements of Cardinal and related management's discussion and analysis ("**MD&A**") prior to their submission to the Board for approval. The process should include but not be limited to:
 - a. reviewing critical accounting principles and policies and any changes thereto, or in their application, which may have a material impact on the current or future years' financial statements;
 - b. reviewing any alternative financial or accounting disclosure which have been considered and the reasons for the treatment selected;
 - c. reviewing significant accruals, reserves or other estimates such as the goodwill impairment assessment;
 - d. reviewing the scope and quality of the audit;
 - e. reviewing accounting treatment of unusual or non-recurring transactions;
 - f. reviewing the adequacy of the Corporation's accounting personnel;
 - g. ascertaining compliance with covenants under loan agreements;
 - h. reviewing all significant or unusual transactions outside the normal course of business of Cardinal;
 - i. reviewing disclosure requirements for commitments and contingencies;
 - j. reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - k. reviewing litigation, claims or contingencies or any tax assessments considered material or potentially material;
 - l. reviewing unresolved differences or disagreements between management of the Corporation ("**Management**") and the external auditors;
 - m. obtain explanations of significant variances with comparative reporting periods; and

- n. meeting in camera with management and separately with the external auditors;
5. review the financial statements, prospectuses, MD&A, annual information forms ("**AIF**") (if applicable) and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Cardinal's disclosure of all other financial information and will periodically assess the accuracy of those procedures;
 6. with respect to the appointment of external auditors by the Board:
 - a. recommend to the Board the external auditors to be nominated;
 - b. recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - c. on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with Cardinal to determine the auditors' independence;
 - d. when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change, if required; and
 - e. review and pre-approve any non-audit services to be provided to Cardinal or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time;
 7. review with external auditors (and internal auditor if one is appointed by Cardinal) their assessment of the internal controls of Cardinal, their written reports containing recommendations for improvement, and Management's response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Cardinal and its subsidiaries (if any);
 8. establish a procedure for:
 - a. the receipt, retention and treatment of complaints received by Cardinal regarding accounting, internal accounting controls or auditing matters; and
 - b. the confidential, anonymous submission by employees of Cardinal of concerns regarding questionable accounting or auditing matters; and
 9. review and approve Cardinal's and its subsidiary's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of Cardinal.

Meetings and Administrative Matters

1. At all meetings of the Committee every resolution shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote.
2. The Chairman will preside at all meetings of the Committee, unless the Chairman is not present, in which case the members of the Committee that are present will designate from among such members the Chairman for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by a resolution in writing signed by all the members of the Committee. Meetings may occur via telephone or teleconference.
4. The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all respects at such meetings shall be determined by the Committee, unless otherwise determined by the by-laws of the Corporation or by resolution of the Board.
5. Meetings of the Committee should be scheduled to take place at least four times per year and at such other times as the Chairman may determine. The Chief Financial Officer of Cardinal will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
6. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
7. Agendas, approved by the Chairman, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
8. The Committee may invite such officers, directors and employees of Cardinal and its subsidiaries as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
9. Minutes of the Committee will be recorded and maintained.
10. If determined appropriate, following meetings of the Audit Committee, a list of tasks or matters to be followed up upon shall be prepared including the time table for completion thereof and the responsibility for completion, the status of which matter shall be reviewed at the next meeting of the Committee or as otherwise determined by the Committee.
11. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at such compensation as established by the Committee and at the expense of Cardinal without any further approval of the Board.
12. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a Director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, following appointment as a member of the Committee each member will hold such office until the Committee is reconstituted.
13. Any issues arising from these meetings that bear on the relationship between the Board and Management should be communicated to the Chairman of the Board by the Chairman.

Approved by the Board of Directors on August 27, 2012.