



## **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.

***Health, Safety and Environment***

1. Review the Corporation's internal control systems in the areas of health, safety and environment and the Corporation's strategies and policies regarding health, safety and environment;
2. approve fundamental policies pertaining to health, safety and environment having the potential to impact Cardinal activities and strategies;
3. review Cardinal's compliance with all applicable laws, regulations and Cardinal's policies with respect to health, safety and the environment on a quarterly basis;
4. review emerging trends, issues and regulations related to health, safety and the environment that are relevant to Cardinal;
5. review the findings of any significant report by regulatory agencies, external health, safety and environment consultants or auditors concerning the Cardinal's performance in health, safety and environment and any necessary corrective measures taken to address issues and risks with regards to the Cardinal's performance in the areas of health, safety and environment that have been identified by Cardinal, external auditors or by regulatory agencies; and
6. review the results with management, outside accountants and legal advisors of the implications of major corporate undertakings such as the acquisition or expansion of facilities or decommission of facilities.

***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 on August 27, 2012.*