



**CARDINAL**  
ENERGY LTD.

# **Q1 2022**

## **FINANCIAL STATEMENTS**

## CONDENSED INTERIM BALANCE SHEET

As at <i>(Unaudited, thousands)</i>	Note	March 31, 2022	December 31, 2021
<b>ASSETS</b>			
Current assets			
Trade and other receivables		\$ 85,578	\$ 51,471
Deposits and prepaid expenses		4,077	3,510
		<b>89,655</b>	54,981
Non-current assets			
Property, plant and equipment	3	1,032,693	1,020,847
<b>Total Assets</b>		<b>\$ 1,122,348</b>	<b>\$ 1,075,828</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables		\$ 90,300	\$ 78,216
Lease liabilities	6	1,273	1,371
Decommissioning obligation	7	3,577	5,480
Fair value of financial instruments	11	91	-
		<b>95,241</b>	85,067
Non-current liabilities			
Lease liabilities	6	950	1,260
Bank debt	4	146,564	142,412
Secured notes	5	-	12,546
Decommissioning obligation	7	116,197	115,311
		<b>263,711</b>	271,529
<b>Total Liabilities</b>		<b>358,952</b>	356,596
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	1,104,755	1,102,852
Treasury shares	8	(3,290)	(4,080)
Warrants	8	14,863	16,221
Contributed surplus		18,777	33,188
Deficit		(371,709)	(428,949)
<b>Total Shareholders' Equity</b>		<b>763,396</b>	719,232
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 1,122,348</b>	<b>\$ 1,075,828</b>
Contractual obligations	12		
Subsequent events	4, 13		

The accompanying notes are an integral part of these condensed interim financial statements.

## CONDENSED INTERIM STATEMENT OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)

**For the three months ended March 31,**

*(Unaudited, thousands except per share amounts)*

	Note	2022		2021
<b>Revenue</b>				
Petroleum and natural gas revenue	10	\$ 174,338	\$	85,547
Royalties		(34,497)		(12,967)
Realized loss on commodity contracts	11	-		(13,801)
Unrealized loss on commodity contracts	11	(91)		(8,651)
Processing and other revenue	10	998		848
Other income	7	245		1,145
		<b>140,993</b>		<b>52,121</b>
<b>Expenses</b>				
Operating		46,136		36,234
Transportation		1,154		496
General and administrative		4,920		3,067
Share-based compensation	9	1,449		764
Finance		4,524		6,210
Re-measurement loss on warrant liability		-		12,923
Depletion and depreciation	3	24,811		17,142
Loss on conversion of convertible debentures and other		-		1,246
Loss on secured notes repayment	5	759		-
		<b>83,753</b>		<b>78,082</b>
<b>Earnings (loss) and comprehensive earnings (loss)</b>		<b>\$ 57,240</b>	<b>\$</b>	<b>(25,961)</b>
<b>Earnings (loss) per share</b>				
	8			
- Basic		\$ 0.38	\$	(0.20)
- Diluted		\$ 0.35	\$	(0.20)

*The accompanying notes are an integral part of these condensed interim financial statements.*

## CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Unaudited, thousands except number of common shares)</i>	Common Shares, net of treasury shares	Share Capital <i>(note 8)</i>	Treasury Shares <i>(note 8)</i>	Warrants <i>(note 8)</i>	Equity Component of Convertible Debentures	Contributed Surplus <i>(note 9)</i>	Deficit	Total Shareholders' Equity
<b>As at January 1, 2021</b>	121,348,705	\$ 1,054,169	\$ (3,041)	\$ -	\$ 1,582	\$ 33,502	\$ (713,364)	\$ 372,848
Purchase of common shares for RA <sup>(1)</sup> and PA <sup>(2)</sup> settlements	(589,843)	-	(1,250)	-	-	-	-	(1,250)
Reclassification of warrants to equity	-	-	-	16,453	-	-	-	16,453
Settlement of RAs <sup>(1)</sup> and PAs <sup>(2)</sup>	1,218,400	-	2,746	-	-	(4,827)	-	(2,081)
Convertible debentures conversion and redemption	22,410,400	29,596	-	-	(1,582)	-	-	28,014
Share-based compensation	-	-	-	-	-	855	-	855
Share issue cost	-	(125)	-	-	-	-	-	(125)
Loss for the period	-	-	-	-	-	-	(25,961)	(25,961)
<b>As at March 31, 2021</b>	<b>144,387,662</b>	<b>\$ 1,083,640</b>	<b>\$ (1,545)</b>	<b>\$ 16,453</b>	<b>\$ -</b>	<b>\$ 29,530</b>	<b>\$ (739,325)</b>	<b>\$ 388,753</b>
<b>As at January 1, 2022</b>	150,441,686	\$ 1,102,852	\$ (4,080)	\$ 16,221	\$ -	\$ 33,188	\$ (428,949)	\$ 719,232
Purchase of common shares for RA <sup>(1)</sup> and PA <sup>(2)</sup> settlements	(999,717)	-	(5,000)	-	-	-	-	(5,000)
Exercise of warrants	895,000	1,903	-	(1,358)	-	-	-	545
Settlement of RAs <sup>(1)</sup> and PAs <sup>(2)</sup>	1,553,930	-	5,790	-	-	(16,050)	-	(10,260)
Share-based compensation	-	-	-	-	-	1,639	-	1,639
Earnings for the period	-	-	-	-	-	-	57,240	57,240
<b>As at March 31, 2022</b>	<b>151,890,899</b>	<b>\$ 1,104,755</b>	<b>\$ (3,290)</b>	<b>\$ 14,863</b>	<b>\$ -</b>	<b>\$ 18,777</b>	<b>\$ (371,709)</b>	<b>\$ 763,396</b>

*(1) Restricted Bonus Award ("RA")*

*(2) Performance Bonus Award ("PA")*

*The accompanying notes are an integral part of these condensed interim financial statements.*

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the three months ended March 31,

*(Unaudited, thousands)*

	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Earnings (loss) for the period	\$	57,240	\$ (25,961)
Adjustments for			
Share-based compensation	9	1,449	764
Depletion and depreciation	3	24,811	17,142
Re-measurement loss of warrant liability		-	12,923
Unrealized loss on commodity contracts	11	91	8,651
Other income	7	(245)	(1,145)
Accretion	7	2,085	1,937
Interest on secured notes	5	361	592
Loss on conversion of convertible debentures and others		-	1,246
Loss on secured notes repayment	5	759	-
Decommissioning expenditures	7	(3,522)	(1,731)
Change in non-cash working capital		<b>(32,986)</b>	<b>(1,143)</b>
		<b>50,043</b>	<b>13,275</b>
<b>Investing activities</b>			
Property, plant and equipment expenditures	3	(35,796)	(6,201)
Property acquisition		-	(3,326)
Change in non-cash working capital		<b>10,310</b>	<b>3,195</b>
		<b>(25,486)</b>	<b>(6,332)</b>
<b>Financing activities</b>			
Repayment of lease liabilities	6	(413)	(481)
Share issue costs		-	(125)
Repayment of secured notes	5	(13,667)	-
Purchase of common shares for RA and PA settlements and withholding tax	8	(15,260)	(3,331)
Convertible debentures redeemed		-	(194)
Warrants exercised	8	545	-
Increase (decrease) in bank debt		4,152	(3,131)
Change in non-cash working capital		<b>86</b>	<b>319</b>
		<b>(24,557)</b>	<b>(6,943)</b>
Change in cash and cash equivalents		-	-
Cash and cash equivalents, beginning of period		-	-
Cash and cash equivalents, end of period	\$	-	\$ -

*The accompanying notes are an integral part of these condensed interim financial statements.*

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

*(Unaudited, thousands of dollars, except per share amounts or unless otherwise stated)*

### 1 REPORTING ENTITY

Cardinal Energy Ltd. ("Cardinal" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta) on December 21, 2010 and commenced activity on May 30, 2012. On January 1, 2022 Cardinal amalgamated with its wholly-owned subsidiary, Venturion Oil Limited. The Company's principal business activity is the acquisition, exploration and production of petroleum and natural gas in the provinces of Alberta, British Columbia, and Saskatchewan. Cardinal's principal place of business is located at 600, 400 – 3<sup>rd</sup> Avenue SW, Calgary, Alberta, Canada, T2P 4H2.

### 2 BASIS OF PREPARATION

#### Statement of Compliance

These condensed interim financial statements ("financial statements") have been prepared in accordance with statement IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The financial statements were prepared using the same accounting policies, critical judgments and key estimates which the Company applied in its annual financial statements for the year ended December 31, 2021 and do not include certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted. Accordingly, these financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021.

The financial statements were authorized for issue by the Board of Directors on May 12, 2022.

#### Use of Estimates and Judgements

The timely preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. As such, actual results may differ from these estimates as future confirming events occur. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### 3 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Right-of-use assets	Corporate assets	Total
<b>Cost</b>				
As at January 1, 2021	\$ 1,663,309	\$ 6,614	\$ 4,361	\$ 1,674,284
Additions	54,213	516	155	54,884
Acquisition	81,552	-	-	81,552
Dispositions	(10,440)	(1,640)	-	(12,080)
Changes in decommissioning obligation	35,154	-	-	35,154
As at December 31, 2021	1,823,788	5,490	4,516	1,833,794
Additions	36,587	5	65	36,657
Dispositions	-	(985)	-	(985)
<b>At March 31, 2022</b>	<b>\$ 1,860,375</b>	<b>\$ 4,510</b>	<b>\$ 4,581</b>	<b>\$ 1,869,466</b>
<b>Accumulated depletion and depreciation</b>				
As at January 1, 2021	\$ (952,479)	\$ (3,546)	\$ (2,769)	\$ (958,794)
Depletion and depreciation	(76,556)	(1,564)	(414)	(78,534)
Disposition	4,403	1,640	-	6,043
Impairment reversal	218,338	-	-	218,338
As at December 31, 2021	(806,294)	(3,470)	(3,183)	(812,947)
Depletion and depreciation	(24,363)	(344)	(104)	(24,811)
Dispositions	-	985	-	985
<b>At March 31, 2022</b>	<b>(830,657)</b>	<b>(2,829)</b>	<b>(3,287)</b>	<b>(836,773)</b>
<b>Net book value</b>				
At December 31, 2021	\$ 1,017,494	\$ 2,020	\$ 1,333	\$ 1,020,847
<b>At March 31, 2022</b>	<b>\$ 1,029,718</b>	<b>\$ 1,681</b>	<b>\$ 1,294</b>	<b>\$ 1,032,693</b>

The calculation of depletion for the three months ended March 31, 2022 includes estimated future development costs of \$212.9 million (December 31, 2021 - \$222.3 million) associated with the development of the Company's proved and probable oil and gas reserves.

For the three months ended March 31, 2022, Cardinal capitalized \$0.8 million of general and administrative expenses (2021 - \$0.3 million) and \$0.2 million (2021 - \$0.1 million) of share-based compensation.

#### Impairment and impairment reversal

At March 31, 2022, there were no indicators of impairment or impairment reversal for oil and gas properties in any of the Company's CGUs.

### 4 BANK DEBT

On May 9, 2022 Cardinal renewed the Company's reserves-based revolving credit facility at a level of \$185.0 million comprised of a \$165.0 million syndicated term credit facility and a \$20.0 million non-syndicated operating line credit facility (the "Facilities"). The Facilities are available on a revolving basis until May 31, 2023 and may be extended for a further 364 day period, subject to approval by the syndicate. If not extended, the Facilities will cease to revolve, the applicable margins will increase by 0.5% and all outstanding advances will be repayable on May 31, 2024.

The available lending limits of the Facilities are reviewed semi-annually based on the syndicate's interpretation of the Company's reserves, future commodity prices and costs. As the available lending limit of the Facilities is based on the syndicate's interpretation of the Company's reserves and future commodity prices and costs, there can be no assurance that the amount of the Facilities will not decrease at the next scheduled review. On a redetermination date, lenders could reduce the borrowing base to below amounts drawn, in which case, any short fall would have to be repaid within 60 days. The next scheduled review date will be on or before November 30, 2022.

Advances under the Facilities are available by way of either prime rate loans, which bear interest at the banks' prime lending rate plus 1.75% to 5.25%, and bankers' acceptances, which are subject to fees and margins ranging from 2.75% to 6.25%. Interest and standby fees on the undrawn amounts of the Facilities depend upon certain ratios. The Facilities are secured by a general security agreement over all of the Company's assets. There are no financial covenants related to the Facilities, provided that Cardinal is not in default of the terms of the Facilities.

Letters of credit for \$1.7 million were outstanding at March 31, 2022 (2021 – \$1.6 million) that reduced the amount otherwise available to be drawn on the operating line credit facility.

Cardinal was in compliance with the terms of the Facilities at March 31, 2022. For the three months ended March 31, 2022 the effective interest rate on the Company's bank debt was 4.8% (2021 – 6.0%).

## 5 SECURED NOTES

	<b>Secured notes</b>	
As at January 1, 2021	\$	-
Issued		11,901
Interest		645
As at December 31, 2021	\$	12,546
Interest		361
Redeemed		(12,907)
<b>As at March 31, 2022</b>	<b>\$</b>	<b>-</b>

On July 14, 2021, Cardinal entered into subscription agreements for a non-brokered private placement ("2021 Private Placement") of \$12.5 million principal amount of second lien secured notes ("2021 Secured Notes").

The 2021 Secured Notes bear interest at 10% per annum with an effective interest rate of 11.5%, with interest compounded and accrued semi-annually and added to the principal amount outstanding, payable on maturity. The 2021 Secured Notes mature on July 14, 2024. As part of the 2021 Private Placement, Cardinal issued one common share purchase warrant ("2021 Warrant") for each \$5.00 principal amount of 2021 Secured Notes. Each 2021 Warrant entitles the holder to acquire one common share of Cardinal at an exercise price of \$3.16 per common share for a period of 36 months. The 2021 Secured Notes were recognized at fair value, net of directly related issue costs (\$0.03 million), of \$11.9 million with the residual of \$0.6 million allocated to the 2021 Warrant.

On March 31, 2022, Cardinal settled the 2021 Secured Notes for a payment of \$13.7 million, which included the principal amount, \$0.9 million of accrued interest and a prepayment fee of \$0.3 million. The Company recorded a \$0.8 million loss as a result of the settlement of these notes.

## 6 LEASE LIABILITIES

	<b>Three months ended</b>		Year ended
	<b>March 31, 2022</b>		December 31, 2021
Balance, beginning of period	\$	2,631	\$ 3,914
Additions		5	516
Finance cost		37	206
Lease payments		(450)	(2,005)
Balance, end of period	\$	2,223	\$ 2,631



The Company had future commitments relating to lease liabilities as follows:

	As at March 31, 2022	As at December 31, 2021
Less than 1 year	\$ 1,370	\$ 1,489
1 - 3 years	975	1,300
4 - 5 years	1	2
Total undiscounted future lease payments	2,346	2,791
Amounts representing interest	(123)	(160)
Present value of net lease payments	2,223	2,631
Less current portion of lease liabilities	(1,273)	(1,371)
<b>Non-current portion of lease liabilities</b>	<b>\$ 950</b>	<b>\$ 1,260</b>

The Company has lease liabilities for contracts related to office space, vehicles, and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Discount rates during the three months ended March 31, 2022 were between 6% and 8% (2021 – between 6% and 8%), depending on the duration of the lease term.

## 7 DECOMMISSIONING OBLIGATION

	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of period	\$ 120,791	\$ 82,787
Liabilities incurred	665	86
Liabilities acquired	-	6,283
Liabilities disposed	-	(748)
Change in estimates	-	35,154
Government subsidy for decommissioning expenditures	(245)	(4,059)
Decommissioning expenditures	(3,522)	(6,302)
Accretion	2,085	7,590
<b>Balance, end of period</b>	<b>\$ 119,774</b>	<b>\$ 120,791</b>

The Company's decommissioning obligation results from its ownership interest in crude oil and natural gas assets including well sites, and facilities. At March 31, 2022, the total estimated amount to settle Cardinal's decommissioning obligation was \$350 million (December 31, 2021 - \$349 million) on an uninflated and undiscounted basis and \$599 million (December 31, 2021 - \$597 million) on an inflated and undiscounted basis.

The decommissioning obligation was determined by applying an inflation factor of 1.82% (2021 – 1.82%) and discounting the inflated amount using Cardinal's credit-adjusted rate of 7.0% (2021 – 7.0%). The majority of the costs are expected to be incurred over the next 50 years.

## 8 SHARE CAPITAL

At March 31, 2022, the Company was authorized to issue an unlimited number of common voting shares without nominal or par value. Holders of common shares are entitled to one vote per share.

### Treasury Shares

RAs and PAs may be settled in cash, common shares issued from treasury or common shares acquired by an independent trustee in the open market for such purposes. During the three months ended March 31, 2022, the trustee purchased 999,717 common shares (2021 – 589,843) for \$5.0 million (2021 - \$1.3 million) for the settlement of future vesting RAs and PAs.

During the three months ended March 31, 2022, the Company utilized 1,553,930 (2021 – 1,218,400) treasury shares to settle vesting RAs and PAs. As at March 31, 2022, 882,559 (December 31, 2021 – 1,436,772) common shares remained classified as treasury shares to be potentially used for future settlements.

## Warrants

	Number of warrants
As at January 1, 2021	8,122,000
Issued	2,500,000
Exercised	(500,000)
As at December 31, 2021	10,122,000
Exercised	(895,000)
<b>As at March 31, 2022</b>	<b>9,227,000</b>

On July 14, 2021, as part of the 2021 Private Placement, Cardinal issued 2,500,000 2021 Warrants with an exercise price of \$3.16 per warrant for one common share. The 2021 Warrants expire on July 14, 2024. The warrants were ascribed a value of \$0.6 million (see Note 5).

	Warrants outstanding / exercisable		
	Number of warrants	Weighted average Exercise price	Weighted average Remaining life (years)
2020 Warrants	6,747,000	\$ 0.55	1.8
2021 Warrants	2,480,000	\$ 3.16	2.3
	<b>9,227,000</b>	<b>\$ 1.25</b>	<b>1.9</b>

## Earnings (loss) per share

For the three months ended March 31,	2022		2021	
Earnings (loss)	\$	57,240	\$	(25,961)
Earnings (loss) per share				
- Basic	\$	0.38	\$	(0.20)
- Diluted	\$	0.35	\$	(0.20)
Weighted average number of common shares				
- Basic		149,902,455		130,152,916
- Diluted		162,613,404		130,152,916

The weighted average number of common shares is adjusted for treasury shares purchased and held by the trustee.

For the three months ended March 31, 2022, 693,630 RAs (2021 – 3,845,372), 397,800 PAs (2021 – 1,536,246), and nil warrants (2021 – 8,122,000) were excluded from the calculation of diluted earnings (loss) per share as their effect was anti-dilutive.

## 9 SHARE-BASED COMPENSATION

The maximum number of common shares issuable under the Company's bonus award plan, in aggregate, cannot exceed five percent of the outstanding common shares. The Company's common shares traded at a weighted average share price of \$6.23 per common share (2021 - \$1.74) during the three months ended March 31, 2022.

### Bonus Awards

The Company has a bonus award plan whereby RAs and PAs may be granted to directors, officers, employees and other service providers. Awards granted according to the plan vest equally over three years from the date of grant and expire on December 15<sup>th</sup> of the third year following the year in which the award was granted. In the case of PAs, the award value is adjusted for a payout multiplier which can range from 0.0 to 2.0 and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period. Awards are adjusted for dividends declared, either with a cash payment or incremental common shares, and are to be settled with either cash, common shares or a combination thereof at the Company's discretion.

	Number of PAs	Number of RAs
As at January 1, 2021	846,369	3,992,659
Granted	972,000	1,866,446
Settled	(282,123)	(2,009,757)
Forfeited	-	(179,245)
Expired	-	(4,505)
As at December 31, 2021	1,536,246	3,665,598
Granted	397,800	711,330
Settled	(606,123)	(1,833,035)
<b>As at March 31, 2022</b>	<b>1,327,923</b>	<b>2,543,893</b>

For the three months ended March 31, 2022, upon the vesting of 1,833,035 (2021 – 1,852,173) RAs and 606,123 (2021 – 282,123) PAs, when taking into account the performance multiplier for PAs, the Company issued 1,553,930 (2021 – 1,218,400) treasury shares and made a payment of \$10.3 million (2021 - \$2.1 million) for withholding taxes.

The fair value of the granted awards was determined based on the value of the Company's common shares at each grant date. The weighted average market price of the Company's common shares used to value the RAs granted was \$7.42 (2021 – \$2.12) and PAs granted was \$7.50 (2021 – \$2.12).

#### Share-based Compensation

Share-based compensation for the three months ended March 31, 2022 of \$1.4 million (2021 - \$0.8 million) was expensed and \$0.2 million (2021 - \$0.1 million) was capitalized.

## 10 REVENUE

Cardinal sells its production pursuant to variable-priced contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. Under its contracts, the Company is required to deliver fixed or variable volumes of crude oil, natural gas and natural gas liquids to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable consideration is considered constrained.

Crude oil, natural gas, and natural gas liquids are sold under contracts of varying price and volume terms of up to one year. Revenues are typically collected on the 25th day of the month following production.

The following table details the Company's petroleum and natural gas sales by product, and processing and other revenue generated by processing third party volume at facilities where the Company has an ownership interest:

For the three months ended March 31,	2022		2021	
Crude oil	\$	164,196	\$	78,079
NGL		3,925		3,226
Natural gas		6,217		4,242
<b>Petroleum and natural gas revenue</b>	<b>\$</b>	<b>174,338</b>	<b>\$</b>	<b>85,547</b>
<b>Processing and other revenue</b>	<b>\$</b>	<b>998</b>	<b>\$</b>	<b>848</b>

Included in accounts receivable at March 31, 2022 is \$73.7 million (December 31, 2021 - \$41.1 million) of accrued petroleum and natural gas revenue.

## 11 FINANCIAL RISK MANAGEMENT

Cardinal's financial assets and liabilities consist of trade and other receivables, trade and other payables, risk management assets and liabilities, bank debt, and secured notes. Risk management assets and liabilities arise from the use of derivative financial instruments.

The Company classifies fair value according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

**Level 1** - Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.

**Level 2** - Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

**Level 3** - Fair value is based on inputs for the asset or liability that are not based on observable market data.

Derivatives are recorded on the balance sheet at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss in the statement of earnings (loss). The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the balance sheet date, using the remaining contracted volumes and a credit adjusted interest rate. The fair value of options and collars is based on option models that use published information with respect to volatility, prices and interest rates.

The Company does not apply hedge accounting for these contracts. The Company's production is usually sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. However, the Company may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts. The Company does not enter into commodity contracts other than to meet the Company's expected sale requirements.

As at March 31, 2022 and 2021, the only assets or liabilities measured at fair value were the fair value of financial instruments which are classified as level 2 financial instruments, bank debt which is classified as level 2, and secured notes which are classified as level 2.

### *Carrying amount and fair value of financial assets and liabilities*

Trade and other receivables are classified as financial assets at amortized cost and are reported at amortized cost. Trade and other payables, secured notes, and bank debt are classified as financial liabilities at amortized cost and are reported at amortized cost. The fair values of trade and other receivables, and trade and other payables approximate their carrying amount due to the short-term maturity of these instruments. The fair value of bank debt approximates the carrying amount due to the floating rate of interest and the margin charged by the syndicate is indicative of current credit spreads.

### *Risk management*

Cardinal is exposed to normal market risks inherent in the oil and natural gas business, including, but not limited to, commodity price risk, foreign currency rate risk, credit risk, liquidity risk and interest rate risk. The Company seeks to mitigate these risks through various business processes and management controls and from time to time by using various derivative financial instruments and physical delivery sales contracts.

### *Commodity price risk*

The Company is exposed to commodity price risk on petroleum and natural gas sales. Commodity prices for crude oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also by world economic events that dictate the levels of supply and demand.

At March 31, 2022 Cardinal had the following commodity financial derivative contracts outstanding:

Type of instrument	Remaining term	Average quantity	Average strike price	Fair value
USD WCS Basis Swap	December 1, 2022 - January 31, 2023	2,500 bbl/d	USD \$ (13.50)	\$ (91)
				\$ (91)

Cardinal limits its credit risk by executing counterparty risk procedures which include transacting only with members of the syndicate for our credit facilities or institutions with high credit ratings and by obtaining financial security in certain circumstances. Based on March 31, 2022 commodity prices, a \$1 per barrel change in the price of crude oil would have changed the unrealized loss by \$nil (2021 – \$0.1 million) and a \$0.10 per gigajoule change in the price of natural gas would have changed the unrealized loss by \$nil (2021 – \$0.3 million).

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The financial liabilities on the balance sheet consist of trade and other payables, fair value of financial instruments, bank debt, and secured notes. Trade and other payables are considered due within one year. The fair value of financial instruments, bank debt (see note 4), and secured notes (see note 5) are considered due between one and three years. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities. The Company has had no defaults or breaches on its financial liabilities as at March 31, 2022 or during the period ended.

## 12 CONTRACTUAL OBLIGATIONS

As at March 31, 2022, the Company had contractual obligations as follows:

	2022	2023	2024	2025	2026	Thereafter
Trade and other payables	\$ 90,300	-	-	-	-	-
Lease liabilities	1,040	1,229	74	3	-	-
Bank debt <sup>(1)</sup>	-	-	146,564	-	-	-
Power purchase commitment	4,055	5,382	4,483	-	-	-
<b>Total contractual obligations</b>	<b>\$ 95,395</b>	<b>\$ 6,611</b>	<b>\$ 151,121</b>	<b>\$ 3</b>	<b>\$ -</b>	<b>\$ -</b>

(1) On May 9, 2022 the Facilities were renewed and amount excludes interest.

## 13 SUBSEQUENT EVENTS

In May 2022, Cardinal's Board of Directors approved the reinstatement of the Company's dividend beginning in June 2022 at \$0.05 per common share per month. The record date for the June dividend will be June 30, 2022 and such dividend will be paid on or about the 15<sup>th</sup> of July, 2022.