



**CARDINAL**  
ENERGY LTD.

**Q1 2022**

**MANAGEMENT DISCUSSION & ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is a review of operations, financial position and outlook for Cardinal Energy Ltd. ("Cardinal" or the "Company") for the three months ended March 31, 2022 and is dated May 12, 2022. The MD&A should be read in conjunction with Cardinal's unaudited interim condensed financial statements as at and for the three months ended March 31, 2022 and the audited consolidated financial statements as at and for the years ended December 31, 2021 and 2020. Financial data presented has been prepared in accordance with International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP"), unless otherwise indicated. Certain prior period amounts have been reclassified to conform to current period presentation.

*All figures in tables are stated in thousands of Canadian dollars (except operational and per share amounts or as noted).*

### DESCRIPTION OF BUSINESS

Cardinal is engaged in the acquisition, development, optimization and production of crude oil and natural gas in the provinces of Alberta, British Columbia and Saskatchewan.

#### 51-101 Advisory

In accordance with *Standards for Disclosure of Oil and Gas Activities* ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip. It does not represent a value equivalency at the wellhead and is not based on either energy content or current prices. The term "boe" is useful for comparative measures and observing trends, it does not accurately reflect individual product value and may be misleading, particularly if used in isolation. Based on the current price of crude oil to natural gas, using a 6:1 conversion ratio may be misleading as an indication of value.

This MD&A contains forward-looking information and statements along with certain measures, consisting of non-GAAP financial measures, capital management measures, non-GAAP financial ratios, and supplementary financial measure, which do not have any standardized meaning in accordance with International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board and therefore may not be comparable with the calculation of similar financial measures disclosed by other entities. Refer to our advisory on forward-looking information and statements and a summary of our specified financial measures at the end of the MD&A.

#### Climate Reporting Regulations and Estimation Uncertainty

Climate and emission related reporting standards are constantly evolving. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the goal to develop sustainability disclosure standards that are globally consistent, comparable and reliable. The Canadian Securities Administrators have also issued a proposed National Instrument 51-107 *Disclosure of Climate-related Matters* which details the additional reporting requirements for Canadian Public Companies. If the Company is not able to meet future sustainability reporting requirements of regulators or current and future expectations of investors, insurance providers, or other stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals, and authorizations from various governmental authorities, and raise capital may be adversely affected. The Company continues to monitor progress on these reporting requirements and has not yet quantified the cost to comply with these standards.

Benchmark commodity prices and inflationary pressures significantly increased due to elevated global concerns over oil and natural gas supply after Russia's invasion of Ukraine and ongoing supply chain issues due to COVID-19. Due to the uncertainty surrounding the magnitude, duration and potential outcomes of the COVID-19 pandemic and Russia's invasion of Ukraine, the long-term impact on Cardinal's operations and results is uncertain.

## FIRST QUARTER 2022 HIGHLIGHTS

- First quarter 2022 production increased 12% over the same period in 2021 which included an 18% increase in crude oil production;
- Cash flow from operating activities in the first quarter of 2022 increased to \$50.0 million, a 277% increase over the same period in 2021;
- Adjusted funds flow<sup>(1)</sup> increased to \$86.6 million, a 436% increase over the same period in 2021 and a 62% increase over the prior quarter;
- Adjusted funds flow per share<sup>(1)</sup> increased by 61% over the prior quarter to \$0.58 per share - basic<sup>(1)</sup> and \$0.53 per share – diluted<sup>(1)</sup>;
- First quarter 2022 free cash flow<sup>(1)</sup> increased 46% over the prior quarter to \$51.6 million;
- Net debt<sup>(1)</sup> decreased \$31 million or 17% over the balance at the end of 2021 to \$147.2 million leading to a net debt to trailing 12 month adjusted funds flow ratio<sup>(1)</sup> of 0.7;
- First quarter 2022 netback per boe<sup>(1)</sup> increased to \$50.47 while the adjusted funds flow per boe<sup>(1)</sup> increased to \$46.69.

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Cash flow from operating activities	50,043	13,275	277
Change in non-cash working capital	32,986	1,143	n/m
<b>Funds flow</b> <sup>(1)</sup>	<b>83,029</b>	<b>14,418</b>	<b>n/m</b>
Decommissioning expenditures	3,522	1,731	103
<b>Adjusted funds flow</b>	<b>86,551</b>	<b>16,149</b>	<b>436</b>

(1) See "Non-GAAP and other financial measures"

## OPERATIONS

### ACQUISITION

On July 15, 2021, the Company closed the acquisition of Venturion Oil Limited ("Venturion") for a purchase price of approximately \$46 million (the "Venturion Acquisition"). The consideration consisted of 6.3 million of Cardinal common shares and approximately \$27.8 million of cash. The Venturion assets include approximately 2,400 boe/d of production (83% oil) focused in central Alberta and other minor Alberta and British Columbia properties.

### PRODUCTION

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Light oil (bbl/d)	7,578	7,042	8
Medium / heavy oil (bbl/d)	9,900	7,739	28
Crude oil (bbl/d)	17,478	14,781	18
Natural gas (mcf/d)	13,888	14,364	(3)
NGL (bbl/d)	804	1,210	(34)
<b>boe/d</b>	<b>20,596</b>	<b>18,385</b>	<b>12</b>
<b>% Crude oil and NGL production</b>	<b>89%</b>	<b>87%</b>	<b>2</b>

First quarter 2022 production increased 12% over the same period in 2021 due to production added from the Venturion Acquisition combined with incremental production from the Company's successful drilling program in the fourth quarter of 2021 and first quarter of 2022. NGL production was down 34% in the first quarter of 2022 compared to the same period in 2021 due to a one-time positive prior period adjustment elevating the first quarter 2021 NGL production.



## PETROLEUM AND NATURAL GAS REVENUE

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Light oil	74,733	39,155	91
Medium / heavy oil	89,463	38,924	130
Crude oil	164,196	78,079	110
NGL	3,925	3,226	22
Natural gas	6,217	4,242	47
<b>Petroleum and natural gas revenue</b>	<b>174,338</b>	<b>85,547</b>	<b>104</b>
<b>Cardinal average prices</b>			
Light oil (\$/bbl)	109.58	61.78	77
Medium / heavy oil (\$/bbl)	100.41	55.89	80
Natural gas (\$/mcf)	4.97	3.28	51
<b>Equivalent (\$/boe)</b>	<b>94.05</b>	<b>51.70</b>	<b>82</b>
<b>Benchmark prices</b>			
Crude oil - WTI (US \$/bbl)	94.29	57.84	63
Crude oil - Edmonton light (Cdn \$/bbl)	115.60	66.45	74
Crude oil - WCS (Cdn \$/bbl)	101.01	57.42	76
Natural gas - AECO Spot (Cdn \$/mcf)	4.81	3.20	50
Exchange rate - (US/Cdn)	0.79	0.79	-

Petroleum and natural gas revenue increased 104% in the first quarter of 2022 as compared to the same period in 2021 due to an 82% increase in realized commodity prices combined with increased production. In the first quarter of 2022, the Company's realized light oil price increase of 77% was comparable with the Edmonton light benchmark price increase of 74%. Cardinal's first quarter 2022 realized medium / heavy oil price increased 80% over the same period in 2021, which was greater than the Western Canadian Select ("WCS") benchmark price increase of 76% due to incremental oil production from the Venturion Acquisition which is higher quality crude oil with less deductions than existing Cardinal WCS based production. The Company's first quarter 2022 realized natural gas price increased 51% over the same period in 2021 which was comparable to the AECO benchmark increase.

## FINANCIAL INSTRUMENTS - COMMODITY

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Realized loss on commodity contracts	-	(13,801)	(100)
Unrealized loss on commodity contracts	(91)	(8,651)	99

Cardinal has historically utilized a variety of derivatives including swaps, collars and puts to protect against downward commodity price movements and foreign exchange fluctuations and avoids entering into more complex derivative structures. Contracts settled in the period result in realized gains or losses based on the market price compared to the contract price. Changes in the fair value of the contracts, as measured at the balance sheet date, are reported as unrealized gains or losses in the period as the forward markets for commodities and currencies fluctuate and as new contracts are executed. For commodities, Cardinal's risk management program allows for hedging a forward profile of three years, of up to 75% of average forecasted 12 months of gross production and up to 50% and 30% of the following 12 and 24 months, respectively.

With the exception of the two month fixed WCS differential contract below, currently, the Company has elected to remain unhedged for 2022 and beyond due to backwarddated commodity pricing curves combined with reduced corporate risk from lower debt levels and forecasted expenditures. The Company will continue to monitor the spot and forward prices as well as expected expenditure levels throughout 2022.

As of the date of this MD&A Cardinal had the following commodity derivatives, referenced to WCS outstanding:

Commodity	Type of Instrument	Remaining Term	Average Volume	Average Strike Price
Crude Oil	USD WCS Differential Swap	Dec 2022 - Jan 2023	2,500 bbl/d	USD \$ (13.50)

## ROYALTIES

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Royalties	34,497	12,967	166
Percent of revenue	19.8%	15.2%	30
\$/boe	18.61	7.84	137

Royalties are either paid or taken in kind and are owed to land and mineral rights owners and to provincial governments. The terms of the land and mineral rights owner agreements and provincial royalty regimes impact Cardinal's overall corporate royalty rate.

Royalties as a percentage of revenue increased during the first quarter of 2022 as compared to the same period in 2021 due to the increase in commodity prices. Crown royalty rates are on a sliding scale therefore an increase in pricing generally leads to an increase in royalty rates. In addition, production from the Venturion Acquisition attracts a higher royalty rate as compared with Cardinal's historical corporate royalty rate which has increased the Company's royalties and royalties as a percentage of revenue in the first quarter of 2022 as compared to the same period in 2021.

## NET OPERATING EXPENSES

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Operating expenses	46,136	36,234	27
Less: Processing and other revenue	(998)	(848)	18
Net operating expenses <sup>(1)</sup>	45,138	35,386	28
\$/boe <sup>(1)</sup>	24.35	21.39	14

(1) See Non-GAAP and other financial measures.

During the first quarter of 2022, net operating expenses per boe increased by 14% over the same period in 2021 due to increased well reactivations and normalized labor costs. In response to low commodity prices, Cardinal reduced well reactivations and salaries and wages of contractors and employees during 2020 and early 2021. Later in 2021, well reactivation activity normalized and salaries and wages were restored to pre-COVID pandemic rates. In addition, in the first quarter of 2022, the Company is experiencing inflationary pressures on operating expenses throughout its operations.

## TRANSPORTATION EXPENSES

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Transportation expenses	1,154	496	133
\$/boe	0.62	0.30	107

Transportation costs and transportation costs per boe increased in the first quarter of 2022 as compared with the same period in 2021 as the oil and gas production acquired from the Venturion Acquisition attract higher clean oil and gas transportation charges than Cardinal's existing oil and natural gas production.

## NETBACK

(\$/boe)	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Petroleum and natural gas revenue	94.05	51.70	82
Royalties	18.61	7.84	137
Net operating expenses	24.35	21.39	14
Transportation expenses	0.62	0.30	107
Netback <sup>(1)</sup>	50.47	22.17	128

(1) See Non-GAAP and other financial measures.

Cardinal's first quarter 2022 netback significantly increased as compared to the same period in 2021 due to higher commodity prices partially offset by higher royalties and net operating and transportation expenses.

## GENERAL AND ADMINISTRATIVE ("G&A")

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Gross G&A	6,691	4,070	64
Capitalized G&A and overhead recoveries	(1,771)	(1,003)	77
G&A	4,920	3,067	60
\$/boe	2.65	1.85	43

In the first quarter of 2022, G&A costs and G&A costs per boe have increased by 60% and 43%, respectively, over the same period in 2021. In response to low commodity prices due to decreased crude oil demand from the COVID-19 pandemic, Cardinal decreased its Board, Executive and office compensation beginning in the second quarter of 2020. Cardinal did not restore compensation to pre-pandemic levels until the second quarter of 2021. In addition, government subsidy grants ended in the latter half of 2021 which has increased G&A in the first quarter of 2022 compared to the same period in 2021. Increased capitalized G&A and overhead recoveries are a result of increased development capital expenditures in the first quarter of 2022 as compared to the same period in 2021.

## SHARE-BASED COMPENSATION ("SBC")

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Gross SBC	1,639	855	92
Capitalized SBC	(190)	(91)	109
SBC	1,449	764	90
\$/boe	0.78	0.46	70

SBC expense increased in the first quarter of 2022 compared to the same period in 2021 due to an increase in the grant date fair value of restricted bonus awards ("RAs") and performance bonus awards ("PAs") outstanding. In addition, the Company's estimated performance multiplier on vesting awards has increased the share-based compensation for the first quarter of 2022 as compared to the same period in 2021. Partially offsetting this increase, a reduction in the amount of outstanding RAs and PAs has lowered the Company's SBC in the first quarter of 2022 compared to the first quarter of 2021.

As at March 31, 2022, Cardinal had 2.5 million RAs and 1.3 million PAs outstanding.

## FINANCE

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Interest - bank debt	1,806	2,851	(37)
Other finance charges, net	235	424	(45)
Interest - convertible debentures	-	348	(100)
Interest - secured notes	361	592	(39)
Interest - capital leases	37	58	(36)
Accretion	2,085	1,937	8
Finance	4,524	6,210	(27)
\$/boe	2.44	3.75	(35)
Average bank debt	152,910	193,282	(21)
Interest rate - bank debt	4.8%	6.0%	(20)

In the first quarter of 2022, lower bank fees combined with lower average debt levels decreased the interest on bank debt by 37% as compared with the same period in 2021. In addition, the Company redeemed all outstanding convertible debentures and repaid a portion of the outstanding second lien notes in 2021 which reduced finance costs in the first quarter of 2022 as compared to the same period in 2021.

## DEPLETION AND DEPRECIATION ("D&D")

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Depletion and depreciation	24,811	17,142	45
\$/boe	13.38	10.36	29

Depletion is calculated based on capital expenditures incurred since inception of the Company, forecasted future development costs associated with proved and probable reserves, production rates, and the estimates of proved and probable oil and gas reserves. In addition to depletion, Cardinal records depreciation on other capital equipment and right-of-use assets not directly associated with proved and probable reserves.

D&D costs and D&D costs per boe increased in the first quarter of 2022 as compared to the same period in 2021 due to a higher property, plant and equipment depletable base from the Company's impairment reversals in the third quarter of 2021. This increase was partially offset by increased proved and probable reserves recorded in Cardinal's 2021 year-end reserves.

## DEFERRED TAXES

At March 31, 2022, the Company has approximately \$1.5 billion of tax pools (\$1.3 billion are unrestricted) available to be applied against future income for tax purposes.

In the third quarter of 2021, Cardinal received a reassessment notice from the Canada Revenue Agency ("CRA") wherein the CRA reduced certain non-capital loss tax pools of approximately \$192 million carried forward in the tax return filed for the year ended December 31, 2015. Cardinal disagrees with CRA's position and has appealed the reassessment and firmly believes it will be successful in defending its position. Although, the Company has appealed the reassessment, Cardinal derecognized these tax pools in the first quarter of 2020.

## EARNINGS (LOSS), CASH FLOW FROM OPERATING ACTIVITIES, ADJUSTED FUNDS FLOW AND PAYOUT RATIOS

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Earnings (loss)	57,240	(25,961)	n/m
\$ per share			
Basic	0.38	(0.20)	(290)
Diluted	0.35	(0.20)	(275)
Cash flow from operating activities	50,043	13,275	277
\$ per share			
Basic	0.33	0.10	230
Diluted	0.31	0.10	210
Adjusted funds flow	86,551	16,149	n/m
\$ per share <sup>(1)</sup>			
Basic	0.58	0.12	n/m
Diluted	0.53	0.12	n/m
Total payout ratio <sup>(1)</sup>	40%	37%	8

(1) See Non-GAAP and other financial measures.

In the first quarter of 2022, higher commodity prices and production increased the Company's earnings, cash flow from operating activities and adjusted funds flow. In addition, the Company has reduced its realized and unrealized losses on commodity contracts from \$22.5 million in the first quarter of 2021 to \$0.1 million in the same period in 2022.

### CAPITAL EXPENDITURES

In the first quarter of 2022, the Company executed a capital expenditure program of \$35.8 million which included the drilling of ten (9.9 net) wells. Six (5.9 net) wells were drilled and completed in our North area and four (4.0 net) were drilled and three of the wells were completed by the end of the quarter in the South area. Cardinal also constructed new facilities and upgraded existing infrastructure across our asset base and continued with the enhanced oil recovery program with CO<sub>2</sub> injection at Midale, Saskatchewan. The Company also continued with its well reactivation program spending \$3.3 million on recompletions and workovers throughout its operating areas. In the first quarter of 2022, Cardinal added to our undeveloped land base spending \$2.6 million on land acquisitions.

	Three months ended		
	Mar 31, 2022	Mar 31, 2021	Change %
Land	2,636	79	n/m
Geological and geophysical	24	-	n/m
Drilling, completion, and recompletions	20,599	1,187	n/m
Equipment, facilities and pipelines	11,688	4,641	152
Development capital expenditures <sup>(1)</sup>	34,947	5,907	n/m
Capitalized G&A	784	258	204
Other assets	65	36	81
Acquisition, net	-	3,326	(100)
Capital expenditures <sup>(1)</sup>	35,796	9,527	276

(1) See Non-GAAP and other financial measures

### DECOMMISSIONING OBLIGATION

In the first quarter of 2022, the Company spent \$3.5 million on decommissioning obligations and reduced our future liabilities by \$0.2 million by utilizing government subsidies through our service providers.



## LIQUIDITY AND CAPITAL RESOURCES

Capitalization table	As at		
	Mar 31, 2022	Dec 31, 2021	Change %
Net bank debt <sup>(1)</sup>	\$ 147,209	\$ 165,647	(11)
Secured notes	-	12,546	(100)
Common shares, outstanding	151,890,899	150,441,686	1
Market price at end of period (\$ per share)	\$ 7.64	\$ 4.27	79
Market capitalization	1,160,446	642,386	81
	\$ 1,307,655	\$ 820,579	59

(1) See Non-GAAP and other financial measures.

### CAPITAL FUNDING

#### 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. Cardinal was in compliance with the terms of the Facilities at March 31, 2022.

#### Secured Notes

On July 14, 2021, Cardinal issued \$12.5 million principal amount of subordinated second lien secured notes (the "Notes") which bear interest at 10% per annum with a three year term. Interest accrued semi-annually and was added to the principal amount and will be payable on maturity or on the repayment date. On March 31, 2022, Cardinal settled the 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.

### CAPITAL STRUCTURE

Cardinal manages its capital to provide a flexible structure to support production maintenance, capital programs and other operational strategies. Maintaining a strong financial position enables Cardinal to enhance business opportunities and supports Cardinal's strategy of providing shareholder return through growth of the business and reducing its cost structure.

One of the key measures that the Company utilizes in evaluating its capital structure is the credit available from the Facilities in relation to the Company's budgeted capital expenditure program and the ratio of net debt to adjusted funds flow.

To manage its capital structure, Cardinal considers its net debt to adjusted funds flow ratio, its capital expenditures program, the current level of credit available from the Facilities, the level of credit that may be attainable due to

changes in petroleum and natural gas reserves and new equity if available on favourable terms. The Company prepares an annual capital expenditure budget, which is monitored monthly and updated as necessary.

	<b>Twelve months ended</b>	
	<b>Mar 31, 2022</b>	<b>Dec 31, 2021</b>
Bank debt	\$ 146,564	\$ 142,412
Secured notes	-	12,546
Adjusted working capital deficiency <sup>(1)</sup>	<b>645</b>	23,235
Net debt <sup>(1)</sup>	\$ 147,209	\$ 178,193
Cash flow from operating activities	\$ 161,889	\$ 125,121
Change in non-cash working capital	<b>32,257</b>	414
Funds flow <sup>(1)</sup>	\$ 194,146	\$ 125,535
Decommissioning obligation expenditures	<b>8,093</b>	6,302
Transaction costs	<b>670</b>	670
Adjusted funds flow <sup>(1)</sup>	\$ 202,909	\$ 132,507
Net debt to adjusted funds flow <sup>(1)</sup>	<b>0.7</b>	1.3

(1) See Non-GAAP and other financial measures

Cardinal's ratio of net debt to adjusted funds flow as at March 31, 2022 was 0.7 to 1, which is below the Company's targeted range of 1.5 to 1. This ratio has decreased from year-end 2021 due to higher commodity prices, a disciplined capital expenditure program and the Company's debt reduction strategy. During the first quarter of 2022, the Company has reduced its net debt by 17% which includes the repayment of its higher interest rate secured notes. Under the current commodity price environment, Cardinal expects to continue with its debt reduction strategy in 2022.

As discussed below in the *Liquidity* section, the Company currently has available capacity on its Facilities to satisfy its capital expenditure and asset retirement obligations for 2022 and beyond.

## LIQUIDITY

The Company relies on cash flow from operating activities, the unused portion of the Facilities and equity and debt issuances to fund its capital expenditure requirements and provide liquidity. Cardinal had sufficient credit capacity to cover its adjusted working capital deficiency of \$0.1 million and continues to have sufficient available capacity as at the date of this MD&A.

The Company believes that it is well positioned to take advantage of its internally developed opportunities funded through its currently available Facilities combined with anticipated cash flow from operating activities and adjusted funds flow. Present sources of capital are anticipated to be sufficient to satisfy the Company's capital expenditure program and decommissioning obligations for the 2022 fiscal year and beyond.

In May 2022, the extension of our Facilities to a May 31, 2024 maturity combined with the repayment of all outstanding secured notes has solidified the Company's liquidity position.

## DIVIDENDS

In March 2020, due to a collapse in the price of crude oil, Cardinal elected to suspend its dividend. The Company put a plan in place to reduce its net debt and set a target of \$100 million before reinstating the dividend.

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.

The Company will continue to evaluate the dividend level throughout the year.

## SHARE CAPITAL

The Company has a bonus award plan whereby RAs and PAs may be granted to directors, officers, employees and other service providers. 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 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 first quarter of 2022, the independent trustee purchased 999,717 treasury shares (2021 – 589,843) at an average price of \$5.00 (2021 - \$2.12) for the settlement of vesting RAs and PAs. During the first quarter of 2022, the Company settled 1,833,035 RAs (2021 – 1,852,173) and 606,123 PAs (2021 – 282,123) with 1,553,930 shares (2021 – 1,218,400) held by the trustee and a cash payment of \$10.3 million (2021 – \$2.1 million) for withholding taxes. At March 31, 2022, the trustee held a remaining balance of 882,559 (December 31, 2021 – 1,436,772) treasury shares.

In the first quarter of 2022, Cardinal granted 0.7 million RAs (2021 – 1.7 million) and 0.4 million PAs (2021 – 1.0 million) to officers, directors and employees pursuant to the Company's bonus award plan.

In the first quarter of 2022, there were 895,000 warrants (2021 – nil) exercised resulting in \$0.5 million (2021 – nil) of proceeds to the Company.

<b>Equity Instruments as at</b>	<b>May 12, 2022</b>	<b>Mar 31, 2022</b>	<b>Dec 31, 2021</b>
Common shares, issued	152,773,458	152,773,458	151,878,458
Treasury shares	(882,559)	(882,559)	(1,436,772)
Warrants	9,227,000	9,227,000	10,122,000
RAs	2,556,427	2,543,893	3,665,598
PAs	1,327,923	1,327,923	1,536,246

## OFF BALANCE SHEET ARRANGEMENTS

Cardinal does not have any special purpose entities nor is it a party to any arrangements that would be excluded from the balance-sheet.

## CONTRACTUAL OBLIGATIONS

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

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>Thereafter</b>
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.

## ADDITIONAL INFORMATION

### CRITICAL ACCOUNTING ESTIMATES

There have been no changes in Cardinal's critical accounting estimates in the three months ended March 31, 2022. Further information on the Company's critical accounting policies and estimates can be found in the notes to the annual financial statements and MD&A for the year ended December 31, 2021.

### INTERNAL CONTROLS UPDATE

Cardinal is required to comply with National Instrument 52-109 "Certification of Disclosure on Issuers' Annual and Interim Filings". The certificate requires that Cardinal disclose in the interim MD&A any change in the Company's internal control over financial reporting ("ICOFR") that occurred during the period that have materially affected, or are reasonably likely to materially affect Cardinal's ICOFR. As of the date of this MD&A Cardinal confirms that there have been no such changes in Cardinal's ICOFR during the first quarter of 2022.

### ENVIRONMENTAL RISKS

The oil and gas industry has a number of environmental risks and hazards and is subject to regulation by all levels of government. Environmental legislation includes, but is not limited to, operational controls, site restoration requirements and restrictions on emissions of various substances produced in association with oil and natural gas operations. Compliance with such legislation could require additional expenditures and a failure to comply may result in fines and penalties which could, in the aggregate and under certain unlikely assumptions, become material.

Operations are continuously monitored to minimize the environmental impact and capital is allocated to reclamation and other activities to mitigate the impact on the areas in which we operate.

### OUTLOOK

Cardinal anticipates that it will reach its initial net debt reduction milestone of net debt being below \$100 million by the end of May of 2022. As outlined to shareholders previously, we will reinstate our monthly dividend starting at \$0.05 per common share per month in June 2022. The June 2022 dividend is expected to be paid or about the 15<sup>th</sup> of July, 2022. Cardinal will continue to focus on debt reduction and with currently forecasted commodity prices, expects to reach the next phase of the net debt target of less than \$50 million in the third quarter of 2022.

## QUARTERLY DATA

	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021
<b>Production</b>				
Oil (bbl/d)	17,478	17,366	16,356	14,767
Natural gas (mcf/d)	13,888	13,733	15,101	13,173
NGL (bbl/d)	804	870	600	986
Oil equivalent (boe/d)	20,596	20,525	19,473	17,949
<b>Financial</b>				
Petroleum and natural gas revenue	174,338	140,409	120,007	99,106
Earnings	57,240	38,955	262,326	9,095
Basic per share (\$)	0.38	0.26	1.76	0.06
Diluted per share (\$)	0.35	0.24	1.64	0.06
Cash flow from operating activities	50,043	51,973	37,410	22,463
Total assets	1,122,348	1,075,828	1,053,162	747,248
Bank debt	146,564	142,412	170,229	178,239
Secured notes	-	12,546	30,270	17,429
Total long-term liabilities	263,711	271,529	283,934	275,153
Shareholders' equity	763,396	719,232	679,549	398,147
Common shares outstanding, net (000's) <sup>(1)</sup>	151,891	150,442	150,332	144,172
Diluted shares outstanding, net (000's) <sup>(1)</sup>	164,990	165,766	166,097	157,606

	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
<b>Production</b>				
Oil (bbl/d)	14,781	15,149	14,582	14,251
Natural gas (mcf/d)	14,364	13,653	13,448	12,873
NGL (bbl/d)	1,210	1,200	834	772
Oil equivalent (boe/d)	18,385	18,625	17,657	17,169
<b>Financial</b>				
Petroleum and natural gas revenue	85,547	66,065	61,982	31,711
Earnings (loss)	(25,961)	119,988	(4,659)	(27,546)
Basic per share (\$)	(0.20)	1.06	(0.04)	(0.24)
Diluted per share (\$)	(0.20)	1.04	(0.04)	(0.24)
Cash flow from operating activities	13,275	12,810	18,950	(10,276)
Total assets	750,410	749,133	633,024	676,560
Bank debt	188,984	192,115	204,018	217,206
Principal amount of convertible debentures	-	28,207	44,451	44,451
Secured notes	16,809	16,217	-	-
Total long-term liabilities	287,370	316,952	102,579	115,559
Shareholders' equity	388,753	372,848	251,859	253,804
Common shares outstanding, net (000's) <sup>(1)</sup>	144,388	121,349	113,496	113,382
Diluted shares outstanding, net (000's) <sup>(1)</sup>	157,891	134,310	118,490	118,712

(1) Net of treasury shares

In the second quarter of 2020, reduced oil demand due to concerns over the effect of COVID-19 significantly impacted oil production, pricing and revenue. The Company shut-in higher cost production in the second quarter of 2020 but in the second half of 2020 and during 2021, subsequently brought back on production. Reduced production and low commodity prices significantly impacted revenue and cash flow from operating activities in 2020. As prices increased through the latter half of 2020 and in 2021, revenue increased however the Company incurred realized and unrealized hedging losses which negatively impacted earnings and cash flow from operating activities. In the first quarter of 2022, reduced realized and unrealized hedging losses have increased earnings and cash flow from operating activities.



The Company's earnings also increase with non-cash impairment reversals of previous impairments on its assets as shown with a reversal of previous impairments in the fourth quarter of 2020 when forecasted oil prices partially recovered which positively impacted earnings by \$122.7 million. In the third quarter of 2021, further strengthening of commodity prices and confidence in the sustainability of price increases allowed the Company to reverse impairments by \$218.3 million. In addition, the Company recorded a gain on the Venturion Acquisition of \$21.8 million. In the first quarter of 2021, the Company recognized a re-measurement loss on its warrant liability of \$12.9 million.

## NON-GAAP AND OTHER FINANCIAL MEASURES

### Non-GAAP Financial Measures

#### *Net operating expenses*

Net operating expenses is calculated as operating expense less processing and other revenue primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest, and can be expressed on a per boe basis. As the Company's principal business is not that of a midstream entity, management believes this is a useful supplemental measure to reflect the true cash outlay at its processing facilities by utilizing spare capacity to process third party volumes.

	<b>Three months ended</b>	
	<b>Mar 31, 2022</b>	Mar 31, 2021
Operating expenses	<b>46,136</b>	36,234
Processing and other revenue	<b>(998)</b>	(848)
Net operating expenses	<b>45,138</b>	35,386

#### *Netback*

Cardinal utilizes netback as key performance indicator and is utilized by Cardinal to better analyze the operating performance of its petroleum and natural gas assets against prior periods. Netback is calculated as petroleum and natural gas revenue deducting royalties, net operating expenses, and transportation expenses. The following table reconciles petroleum and natural gas revenue to netback:

	<b>Three months ended</b>	
	<b>Mar 31, 2022</b>	Mar 31, 2021
Petroleum and natural gas revenue	<b>174,338</b>	85,547
Royalties	<b>(34,497)</b>	(12,967)
Net operating expenses	<b>(45,138)</b>	(35,386)
Transportation expenses	<b>(1,154)</b>	(496)
Netback	<b>93,549</b>	36,698

#### *Capital expenditures*

Cardinal utilizes capital expenditures as a measure of capital investment on property, plant and equipment compared to the annual budgeted capital expenditure. Capital expenditures is calculated as cash flow from investing activities excluding change in non-cash working capital and corporate acquisition.

#### *Development capital expenditures*

Cardinal utilizes development capital expenditures as a measure of capital investment on property, plant and equipment excluding capitalized G&A, other assets and net acquisitions and is compared to the annual budgeted capital expenditures. The following table reconciles cash flow from investing activities to total capital expenditures to total development capital expenditures.

	<b>Three months ended</b>	
	<b>Mar 31, 2022</b>	<b>Mar 31, 2021</b>
Cash flow from investing activities	<b>25,486</b>	6,332
Change in non-cash working capital	<b>10,310</b>	3,195
Capital expenditures	<b>35,796</b>	9,527
Less:		
Capitalized G&A	<b>784</b>	258
Other assets	<b>65</b>	36
Acquisition, net	<b>-</b>	3,326
Development capital expenditures	<b>34,947</b>	5,907

### **Capital Management Measures**

#### *Adjusted working capital*

Management utilizes adjusted working capital to monitor its capital structure, liquidity, and its ability to fund current operations. Adjusted working capital is calculated as current liabilities less current assets (adjusted for the fair value of financial instruments, current decommissioning obligation, and current lease liabilities). The following table reconciles working capital to adjusted working capital:

As at	<b>Mar 31, 2022</b>	<b>Dec 31, 2021</b>
<b>Working capital deficiency</b>	<b>5,586</b>	30,086
Lease liabilities	<b>1,273</b>	1,371
Decommissioning obligation	<b>3,577</b>	5,480
Fair value of financial instruments, net	<b>91</b>	-
<b>Adjusted working capital deficiency</b>	<b>645</b>	23,235

#### *Net debt*

Management utilizes net debt to analyze the financial position, liquidity and leverage of Cardinal. Net debt is calculated as bank debt plus secured notes and adjusted working capital.

#### *Net bank debt*

Management utilizes net bank debt to analyze the financial position, liquidity, leverage and borrowing capacity on Cardinal's bank line. Net bank debt is calculated as net debt less secured notes.

The following table reconciles bank debt to net bank debt and net debt:

As at	<b>Mar 31, 2022</b>	<b>Dec 31, 2021</b>
Bank debt	<b>\$ 146,564</b>	\$ 142,412
Adjusted working capital deficiency	<b>645</b>	23,235
Net bank debt	<b>147,209</b>	165,647
Secured notes	<b>-</b>	12,546
Net debt	<b>\$ 147,209</b>	\$ 178,193

#### *Funds flow*

Management utilizes funds flow as a useful measure of Cardinal's ability to generate cash not subject to short-term movements in non-cash operating working capital. As shown below, funds flow is calculated as cash flow from operating activities excluding the change in non-cash working capital.

#### *Adjusted funds flow*

Management utilizes adjusted funds flow as a key measure to assess the ability of the Company to generate the funds necessary for financing activities, operating activities, and capital expenditures. As shown below, adjusted funds flow is calculated as funds flow excluding decommissioning expenditures since Cardinal believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and variability. Expenditures

on decommissioning obligations vary from period to period depending on the maturity of the Company's operating areas and availability of adjusted funds flow and are viewed as part of the Company's capital budgeting process.

#### *Free cash flow*

Management utilizes free cash flow as a measure to assess Cardinal's ability to generate cash, after taking into account the development capital expenditures, to increase returns to shareholders, repay debt, or for other corporate purposes. As shown below, free cash flow is calculated as adjusted funds flow less development capital expenditures.

The following table reconciles cash flow from operating activities, funds flow, adjusted funds flow, and free cash flow:

	<b>Three months ended</b>	
	<b>Mar 31, 2022</b>	Mar 31, 2021
Cash flow from operating activities	<b>50,043</b>	13,275
Change in non-cash working capital	<b>32,986</b>	1,143
<b>Funds flow</b>	<b>83,029</b>	14,418
Decommissioning expenditures	<b>3,522</b>	1,731
<b>Adjusted funds flow</b>	<b>86,551</b>	16,149
Total development capital expenditures	<b>(34,947)</b>	(5,907)
<b>Free cash flow</b>	<b>51,604</b>	10,242

#### **Non-GAAP Financial Ratios**

##### *Netback per boe*

Cardinal utilizes netback per boe to assess Cardinal's operating performance of its petroleum and natural gas assets on a per unit of production basis. Netback per boe is calculated as netback divided by total production for the applicable period. The following table details the calculation of netback per boe:

	<b>Three months ended</b>	
	<b>Mar 31, 2022</b>	Mar 31, 2021
Petroleum and natural gas revenue	<b>94.05</b>	51.70
Royalties	<b>18.61</b>	7.84
Net operating expenses	<b>24.35</b>	21.39
Transportation expenses	<b>0.62</b>	0.30
Netback per boe	<b>50.47</b>	22.17

##### *Net debt to adjusted funds flow ratio*

Cardinal utilizes net debt to adjusted funds flow to measure the Company's overall debt position and to measure the strength of the Company's balance sheet. Cardinal monitors this ratio and uses this as a key measure in making decisions regarding financing, capital expenditures and shareholder returns. Net debt to adjusted funds flow is calculated as net debt divided by adjusted funds flow for the trailing twelve month period.

##### *Total payout ratio*

Cardinal utilizes this ratio as key measure to assess the Company's ability to fund financing activities, operating activities, and capital expenditures. Total payout ratio is calculated as the sum of dividends declared plus development capital expenditures divided by adjusted funds flow.

##### *Net operating expenses per boe*

Cardinal utilizes net operating expenses per boe to assess Cardinal's operating efficiency of its petroleum and natural gas assets on a per unit of production basis. Net operating expense per boe is calculated as net operating expenses divided by total production for the applicable period.

#### *Adjusted funds flow per boe*

Cardinal utilizes adjusted funds flow per boe as a measure to assess the ability of the Company to generate the funds necessary for financing activities, operating activities, and capital expenditures on a per boe basis. Adjusted funds flow per boe is calculated using adjusted funds flow divided by total production for the applicable period.

#### *Adjusted funds flow per basic share*

Cardinal utilizes adjusted funds flow per share as a measure to assess the ability of the Company to generate the funds necessary for financing activities, operating activities, and capital expenditures on a per basic share basis. Adjusted funds flow per basic share is calculated using adjusted funds flow divided by the weighted average basic shares outstanding.

#### *Adjusted funds flow per diluted share*

Cardinal utilizes adjusted funds flow per share as a measure to assess the ability of the Company to generate the funds necessary for financing activities, operating activities, and capital expenditures on a per diluted share basis. Adjusted funds flow per diluted share is calculated using adjusted funds flow divided by the weighted average diluted shares outstanding.

### **Supplementary Financial Measures**

NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-GAAP financial measure; and (iv) is not a non-GAAP ratio. The supplementary financial measures used in this MD&A are either a per unit disclosure of a corresponding GAAP measure, or a component of a corresponding GAAP measure, presented in the financial statements. Supplementary financial measures that are disclosed on a per unit basis are calculated by dividing the aggregate GAAP measure (or component thereof) by the applicable unit for the period. Supplementary financial measures that are disclosed on a component basis of a corresponding GAAP measure are a granular representation of a financial statement line item and are determined in accordance with GAAP.

## **FORWARD LOOKING STATEMENTS**

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements relating, but not limited to:

- estimated tax pools, future taxability and future taxable income;
- expectations with respect to the outcome of the CRA dispute;
- plans to manage liquidity and continue to reduce debt;
- 2022 capital expenditure plans;
- 2022 net debt and the components thereof;
- Cardinal's business strategy, goals and management focus;
- Cardinal's dividend plans;
- targeted net debt to adjusted funds flow ratio and plans to monitor this ratio;
- Cardinal's risk management strategy including the mitigation of our exposure to commodity price risk, medium crude oil differentials, foreign exchange risk on borrowings and the benefits to be obtained therefrom;
- sources of funds for the Company's operations, capital expenditures, and decommissioning obligations;
- plans to minimize the environmental impact of our operations;
- abandonment and reclamation spending plans including the timing thereof;
- anticipated costs of compliance with environmental legislation;
- future liquidity and the Company's access to sufficient debt and equity capital;
- Cardinal's asset base;

- expectations regarding the business environment, industry conditions, future commodity prices and differentials;
- Cardinal's capital management strategies; and
- treatment under governmental and other regulatory regimes and tax, environmental and other laws.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning the impact of COVID-19; anticipated financial performance, business prospects, strategies, regulatory developments, current and future commodity prices and exchange rates, applicable royalty rates, tax laws, production shut-ins, future well production rates and reserve volumes, future operating costs, the performance of existing and future wells, the success of our exploration and development activities, the sufficiency and timing of budgeted capital expenditures in carrying out planned activities, the timing and success of our cost cutting initiatives, the availability and cost of labor and services, the impact of increasing competition, conditions in general economic and financial markets, availability of drilling and related equipment, effects of regulation by governmental agencies, the ability to obtain financing on acceptable terms which are subject to change based on commodity prices, market conditions, and drilling success .

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Cardinal's control. Such risks and uncertainties include, without limitation: the impact of general economic conditions; volatility in market prices for crude oil and natural gas; impact of COVID-19 and the ability of the Company to carry on operations as contemplated in light of COVID-19; determinations by OPEC and other countries as to production levels; industry conditions; currency fluctuations; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other producers; the lack of availability of qualified personnel, drilling rigs or other services; changes in income tax laws or changes in royalty rates and incentive programs relating to the oil and gas industry including government curtailment programs; hazards such as fire, explosion, blowouts, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; and ability to access sufficient capital from internal and external sources.

Management has included the forward-looking statements above and a summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide readers with a more complete perspective on Cardinal's future operations and such information may not be appropriate for other purposes. Cardinal's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Cardinal will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this MD&A and Cardinal disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.



### Supplemental Information Regarding Product Types

This MD&A includes references to 2020, 2021 and 2022 production. The Company discloses crude oil production based on the pricing index that the oil is priced off of. The following table is intended to provide the product type composition as defined by NI 51-101.

	LIGHT/MEDIUM	HEAVY OIL	CONVENTIONAL		TOTAL (BOE/D)
	CRUDE OIL		NGL	NATURAL GAS	
Q1/22	52%	33%	4%	11%	20,596
Q4/21	51%	34%	4%	11%	20,525
Q3/21	54%	30%	3%	13%	19,473
Q2/21	56%	26%	6%	12%	17,949
Q1/21	54%	26%	7%	13%	18,385
Q4/20	55%	26%	7%	12%	18,625
Q3/20	56%	27%	5%	12%	17,657
Q2/20	57%	27%	4%	12%	17,169
Venturion	27%	56%	1%	16%	2,400

### Frequently Used Terms

#### *Term or abbreviation*

"bbl"	Barrel(s)
"bbl/d"	Barrel(s) per day
"boe"	Barrel(s) of oil equivalent
"boe/d"	Barrel(s) of oil equivalent per day
"CO <sub>2</sub> "	Carbon dioxide
"COGE Handbook"	Canadian Oil and Gas Evaluation Handbook
"GJ"	Gigajoule
"gj/d"	Gigajoule(s) per day
"m" preceding a volumetric measure	1,000 units of the volumetric measure
"mcf"	Thousand cubic feet
"mcf/d"	Thousand cubic feet per day
"NGL"	Natural gas liquids
"n/m"	Not meaningful ie. absolute value greater than 300%
"US"	United States
"USD"	United States dollars
"WCS"	Western Canadian Select
"WTI"	West Texas Intermediate