



CARDINAL
ENERGY LTD.

Q3 2022

FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEET

As at <i>(Unaudited, thousands)</i>	Note	September 30, 2022	December 31, 2021
ASSETS			
Current assets			
Trade and other receivables		\$ 68,811	\$ 51,471
Deposits and prepaid expenses		4,121	3,510
Fair value of financial instruments	13	1,737	-
Assets held for sale	3	8,436	-
		83,105	54,981
Non-current assets			
Property, plant and equipment	4	977,629	1,020,847
Total Assets		\$ 1,060,734	\$ 1,075,828
LIABILITIES			
Current liabilities			
Trade and other payables		\$ 84,483	\$ 78,216
Dividends payable	10	8,349	-
Lease liabilities	7	1,489	1,371
Decommissioning obligation	8	6,430	5,480
Liabilities associated with assets held for sale	3	8,011	-
		108,762	85,067
Non-current liabilities			
Lease liabilities	7	856	1,260
Bank debt	5	42,167	142,412
Secured notes	6	-	12,546
Decommissioning obligation	8	71,092	115,311
		114,115	271,529
Total Liabilities		222,877	356,596
SHAREHOLDERS' EQUITY			
Share capital	9	1,104,287	1,102,852
Treasury shares	9	(17,104)	(4,080)
Warrants	9	-	16,221
Contributed surplus		22,958	33,188
Deficit		(272,284)	(428,949)
Total Shareholders' Equity		837,857	719,232
Total Liabilities and Shareholders' Equity		\$ 1,060,734	\$ 1,075,828
Contractual obligations	14		
Subsequent events	3, 15		

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

CONDENSED INTERIM STATEMENT OF EARNINGS AND COMPREHENSIVE EARNINGS

<i>(Unaudited, thousands except per share amounts)</i>	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Revenue					
Petroleum and natural gas revenue	12	\$ 179,441	\$ 120,007	\$ 582,696	\$ 304,660
Royalties		(38,997)	(22,171)	(119,800)	(52,358)
Realized loss on commodity contracts	13	-	(10,368)	-	(37,884)
Unrealized gain on commodity contracts	13	717	8,273	1,737	1,673
Processing and other revenue	12	1,111	908	3,300	2,844
Other income	8	-	367	391	3,831
		142,272	97,016	468,324	222,766
Expenses					
Operating		54,559	43,057	147,896	115,597
Transportation		1,655	1,037	4,576	2,028
General and administrative		4,313	3,755	13,798	10,605
Share-based compensation	11	2,048	1,054	5,051	2,799
Finance		3,458	5,843	12,004	17,897
Re-measurement loss on warrant liability		-	-	-	12,923
Depletion and depreciation	4	26,904	19,494	79,177	53,761
Impairment (reversal)	3, 4	16,420	(218,338)	16,420	(218,338)
Gain on acquisition / disposition		(81)	(21,831)	(179)	(21,831)
Loss on secured notes repayment	6	-	-	759	-
Loss on conversion of convertible debentures and other		-	-	-	1,246
Transaction costs		-	619	-	619
		109,276	(165,310)	279,502	(22,694)
Earnings and comprehensive earnings					
for the period		\$ 32,996	\$ 262,326	\$ 188,822	\$ 245,460
Earnings per share					
	9				
- Basic		\$ 0.21	\$ 1.76	\$ 1.23	\$ 1.74
- Diluted		\$ 0.21	\$ 1.64	\$ 1.20	\$ 1.63

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 9)</i>	Treasury Shares <i>(note 9)</i>	Warrants <i>(note 9)</i>	Equity Component of Convertible Debentures	Contributed Surplus <i>(note 11)</i>	Deficit	Total Shareholders' Equity
As at January 1, 2021	121,348,705	\$ 1,054,169	\$ (3,041)	\$ -	\$ 1,582	\$ 33,502	\$ (713,364)	\$ 372,848
Purchase of common shares for RA ⁽¹⁾ and PA ⁽²⁾ settlements	(1,095,294)	-	(2,788)	-	-	-	-	(2,788)
Common shares issued in connection with acquisition	6,270,229	18,184	-	-	-	-	-	18,184
Reclassification of warrants to equity	-	-	-	16,453	-	-	-	16,453
Issue of warrants	-	-	-	574	-	-	-	574
Exercise of warrants	125,000	271	-	(202)	-	-	-	69
Settlement of RA ⁽¹⁾ and PA ⁽²⁾	1,272,581	-	2,873	-	-	(5,101)	-	(2,228)
Convertible debentures conversion and redemption	22,410,400	29,596	-	-	(1,582)	-	-	28,014
Share-based compensation	-	-	-	-	-	3,141	-	3,141
Share issue costs	-	(178)	-	-	-	-	-	(178)
Earnings for the period	-	-	-	-	-	-	245,460	245,460
As at September 30, 2021	150,331,621	\$ 1,102,042	\$ (2,956)	\$ 16,825	\$ -	\$ 31,542	\$ (467,904)	\$ 679,549
As at January 1, 2022	150,441,686	\$ 1,102,852	\$ (4,080)	\$ 16,221	\$ -	\$ 33,188	\$ (428,949)	\$ 719,232
Purchase of common shares for RA ⁽¹⁾ and PA ⁽²⁾ settlements	(2,691,538)	-	(19,001)	-	-	-	-	(19,001)
Exercise of warrants	10,122,000	28,313	-	(16,221)	-	-	-	12,092
Settlement of RA ⁽¹⁾ and PA ⁽²⁾	1,588,996	-	5,977	-	-	(16,492)	-	(10,515)
Purchase of common shares for cancellation	(3,724,156)	(26,807)	-	-	-	544	-	(26,263)
Share-based compensation	-	-	-	-	-	5,718	-	5,718
Dividends (\$0.20 per share)	-	-	-	-	-	-	(32,157)	(32,157)
Share issue costs	-	(71)	-	-	-	-	-	(71)
Earnings for the period	-	-	-	-	-	-	188,822	188,822
As at September 30, 2022	155,736,988	\$ 1,104,287	\$ (17,104)	\$ -	\$ -	\$ 22,958	\$ (272,284)	\$ 837,857

(1) Restricted Bonus Awards ("RA")

(2) Performance Awards ("PA")

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS

<i>(Unaudited, thousands)</i>	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Cash provided by (used in)					
Operating activities					
Earnings for the period		\$ 32,996	\$ 262,326	\$ 188,822	\$ 245,460
Adjustments for					
Share-based compensation	11	2,048	1,054	5,051	2,799
Depletion and depreciation	4	26,904	19,494	79,177	53,761
Impairment (reversal)	3, 4	16,420	(218,338)	16,420	(218,338)
Re-measurement loss of warrant liability		-	-	-	12,923
Unrealized gain on commodity contracts	13	(717)	(8,273)	(1,737)	(1,673)
Other income	8	-	(367)	(391)	(3,831)
Accretion	8	2,077	1,939	6,252	5,725
Interest on secured notes	6	-	940	361	2,152
Loss on secured notes repayment		-	-	759	-
Gain on acquisition / disposition		(81)	(21,831)	(179)	(21,831)
Loss on conversion of convertible debentures and other		-	-	-	1,246
Decommissioning expenditures	8	(7,304)	(1,334)	(14,888)	(4,042)
Change in non-cash working capital		25,982	1,800	(11,069)	(1,203)
		98,325	37,410	268,578	73,148
Investing activities					
Property, plant and equipment expenditures	4	(23,845)	(16,833)	(85,179)	(33,339)
Property acquisitions		(145)	(694)	(145)	(4,028)
Corporate acquisition		-	(15,811)	-	(15,811)
Change in non-cash working capital		675	6,846	(671)	10,146
		(23,315)	(26,492)	(85,995)	(43,032)
Financing activities					
Dividends	10	(23,808)	-	(23,808)	-
Issuance of secured note and warrants, net of issue costs		-	12,476	-	12,476
Share issue costs	9	-	(53)	(71)	(178)
Repayment of lease liabilities	7	(377)	(430)	(1,161)	(1,382)
Repayment of secured notes		-	-	(13,667)	-
Purchase of common shares for RA and PA settlements and withholding tax	11	(61)	(884)	(29,516)	(5,016)
Purchase of common shares for cancellation	9	(26,095)	-	(26,095)	-
Convertible debentures redeemed		-	-	-	(194)
Warrants exercised	9	-	69	12,092	69
Decrease in bank debt		(24,789)	(8,010)	(100,245)	(21,886)
Repayment of acquired debt		-	(14,172)	-	(14,172)
Change in non-cash working capital		120	86	(112)	167
		(75,010)	(10,918)	(182,583)	(30,116)
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

As at September 30, 2022 and for the three and nine months ended September 30, 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 – 3rd 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 November 8, 2022.

Significant Accounting Policies

Assets Held for Sale

Non-current assets and their associated liabilities are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, and the asset is available for immediate sale in its present condition. For the sale to be highly probable, management must be committed to a plan to sell the asset and an active program to locate a buyer has been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in the statement of comprehensive earnings in the period measured. Non-current assets held for sale are presented in current assets and liabilities within the balance sheet. Assets held for sale are not depleted, depreciated or amortized.

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 ASSETS HELD FOR SALE

Assets held for sale

As at January 1, 2022	\$	-
Transferred from property, plant, and equipment - cost		76,871
Transferred from property, plant, and equipment - accumulated depletion and depreciation		(68,435)
As at September 30, 2022	\$	8,436

Liabilities associated with assets held for sale

As at January 1, 2022	\$	-
Transfer from decommissioning obligations		8,011
As at September 30, 2022	\$	8,011

As at September 30, 2022, Cardinal had entered into a purchase and sale agreement for the disposition of non-core assets. The closing was considered highly probable of occurring and the assets were available for immediate sale in their present condition and, as such, were classified as held for sale. Immediately prior to classifying the assets as held for sale, the Company conducted a review of the assets' recoverable amounts based on expected consideration to be received and recorded an impairment of \$16.4 million.

On November 1, 2022, the Company successfully closed the disposition.

4 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Right-of-use assets	Corporate assets	Total
Cost				
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	86,212	875	460	87,547
Acquisition	187	-	-	187
Dispositions	-	(1,199)	-	(1,199)
Changes in decommissioning obligation	(26,919)	-	-	(26,919)
Transfer to assets held for sale (note 3)	(76,871)	-	-	(76,871)
At September 30, 2022	\$ 1,806,397	\$ 5,166	\$ 4,976	\$ 1,816,539
Accumulated depletion and depreciation				
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	(77,877)	(962)	(338)	(79,177)
Dispositions	-	1,199	-	1,199
Impairment	(16,420)	-	-	(16,420)
Transfer to assets held for sale (note 3)	68,435	-	-	68,435
At September 30, 2022	\$ (832,156)	\$ (3,233)	\$ (3,521)	\$ (838,910)
Net book value				
At December 31, 2021	\$ 1,017,494	\$ 2,020	\$ 1,333	\$ 1,020,847
At September 30, 2022	\$ 974,241	\$ 1,933	\$ 1,455	\$ 977,629

The calculation of depletion for the nine months ended September 30, 2022 includes estimated future development costs of \$202.6 million (December 31, 2021 - \$222.3 million) associated with the development of the Company's proved and probable oil and gas reserves.

For the nine months ended September 30, 2022, Cardinal capitalized \$1.5 million of general and administrative expenses (2021 - \$0.8 million) and \$0.7 million (2021 - \$0.3 million) of share-based compensation.

Impairment and impairment reversal

At September 30, 2022, there were no indicators of impairment or impairment reversal for oil and gas properties in any of the Company's CGUs.

5 BANK DEBT

The Company's reserves-based revolving credit facility of \$185.0 million is 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 September 30, 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 September 30, 2022. For the nine months ended September 30, 2022 the effective interest rate on the Company's bank debt was 5.2% (2021 – 6.0%).

6 SECURED NOTES

		Secured notes
As at January 1, 2021	\$	-
Issued		11,901
Interest		645
As at December 31, 2021	\$	12,546
Interest		361
Redeemed		(12,907)
As at September 30, 2022	\$	-

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

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.

7 LEASE LIABILITIES

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	\$ 2,631	\$ 3,914
Additions	875	516
Finance cost	110	206
Lease payments	(1,271)	(2,005)
Balance, end of period	\$ 2,345	\$ 2,631

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

	As at September 30, 2022	As at December 31, 2021
Less than 1 year	\$ 1,590	\$ 1,489
1 - 3 years	888	1,300
4 - 5 years	1	2
Total undiscounted future lease payments	2,479	2,791
Amounts representing interest	(134)	(160)
Present value of net lease payments	2,345	2,631
Less current portion of lease liabilities	(1,489)	(1,371)
Non-current portion of lease liabilities	\$ 856	\$ 1,260

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 nine months ended September 30, 2022 were between 6% and 8% (2021 – between 6% and 8%), depending on the duration of the lease term.

8 DECOMMISSIONING OBLIGATION

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	\$ 120,791	\$ 82,787
Liabilities incurred	826	86
Liabilities acquired	42	6,283
Liabilities disposed	(180)	(748)
Change in estimates	(26,919)	35,154
Government subsidy for decommissioning expenditures	(391)	(4,059)
Decommissioning expenditures	(14,888)	(6,302)
Accretion	6,252	7,590
Transferred to liabilities associated with assets held for sale	(8,011)	-
Balance, end of period	\$ 77,522	\$ 120,791

The Company's decommissioning obligation results from its ownership interest in crude oil and natural gas assets including well sites, and facilities. At September 30, 2022, the total estimated amount to settle Cardinal's decommissioning obligation was \$329 million (December 31, 2021 - \$349 million) on an uninflated and undiscounted basis and \$586 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 9.0% (2021 – 7.0%). The majority of the costs are expected to be incurred over the next 50 years. The \$26.9 million (2021 – nil) change in estimates for the nine months ended September 30, 2022 is a result of change in credit-adjusted rate and estimated future abandonment costs.

9 SHARE CAPITAL

At September 30, 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.

Normal Course Issuer Bid ("NCIB")

On June 27, 2022, the Company announced that the Toronto Stock Exchange ("TSX") had accepted the Company's intention to commence an NCIB. Pursuant to the NCIB, the Company is permitted to purchase up to 12,319,686 common shares representing approximately 10% of its public float as of June 20, 2022 over a twelve month period commencing June 30, 2022. As of September 30, 2022, the Company repurchased and cancelled 3,724,156 common shares at average price of \$7.05 per common share, for a total cost of \$26.3 million. Share capital was reduced by the average carrying value of the shares repurchased with the difference between carrying value and purchase cost, including commissions and fees, being charged to contributed surplus.

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 nine months ended September 30, 2022, the trustee purchased 2,691,538 common shares (2021 – 1,095,294) for \$19.0 million (2021 - \$2.8 million) for the settlement of future vesting RAs and PAs.

During the nine months ended September 30, 2022, the Company utilized 1,588,996 (2021 – 1,272,581) treasury shares to settle vesting RAs and PAs. As at September 30, 2022, 2,539,314 (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	(10,122,000)
As at September 30, 2022	-

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 were to expire on July 14, 2024.

For the nine months ended September 30, 2022, all outstanding warrants were exercised resulting in \$12.1 million (2021 – nil) of proceeds to the Company.

Earnings per share

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Earnings for the period	\$ 32,996	\$ 262,326	\$ 188,822	\$ 245,460
Earnings per share				
- Basic	\$ 0.21	\$ 1.76	\$ 1.23	\$ 1.74
- Diluted	\$ 0.21	\$ 1.64	\$ 1.20	\$ 1.63
Weighted average number of common shares				
- Basic	156,611,660	149,413,769	153,401,454	141,378,467
- Diluted	159,931,574	159,947,198	157,275,781	151,029,683

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

For the three months ended September 30, 2022, 33,105 RAs (2021 – nil), nil PAs (2021 – nil), and nil warrants (2021 – nil) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

For the nine months ended September 30, 2022, 48,105 RAs (2021 – 9,031), nil PAs (2021 – nil), and nil warrants (2021 – 2,500,000) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

10 DIVIDENDS

During the three and nine months ended September 30, 2022, \$24.0 million (2021 – \$nil) (\$0.15 per common share) (2021 – nil per common share) and \$32.2 million (2021 – \$nil) (\$0.20 per common share) (2021 - nil per common share) of dividends were declared, respectively, of which \$23.9 million (2021 – \$nil) was paid in cash and \$8.3 million (2021 – \$nil) was recognized as a liability at September 30, 2022. The dividend payable was settled on October 14, 2022.

11 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 \$7.42 per common share (2021 - \$2.62) during the nine months ended September 30, 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 15th 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	771,969
Settled	(606,123)	(1,897,154)
Forfeited	-	(118,550)
As at September 30, 2022	1,327,923	2,421,863

For the nine months ended September 30, 2022, upon the vesting of 1,897,154 (2021 – 1,948,872) RAs and 606,123 (2021 – 282,123) PAs, when taking into account the performance multiplier for PAs, the Company issued 1,588,996 (2021 – 1,272,581) treasury shares and made a payment of \$10.5 million (2021 - \$2.2 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 \$7.48 (2021 – \$2.18) and PAs granted was \$7.50 (2021 – \$2.12).

Share-based Compensation

For the three and nine months ended September 30, 2022, \$2.1 million (2021 - \$1.1 million) and \$5.1 million (2021 - \$2.8 million), respectively, of share-based compensation was expensed and \$0.3 million (2021 - \$0.1 million) and \$0.7 million (2021 - \$0.3 million), respectively, was capitalized.

12 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:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Crude oil	\$ 168,565	\$ 112,243	\$ 545,951	\$ 282,856
NGL	4,421	2,277	13,454	8,148
Natural gas	6,455	5,487	23,291	13,656
Petroleum and natural gas revenue	\$ 179,441	\$ 120,007	\$ 582,696	\$ 304,660
Processing and other revenue	\$ 1,111	\$ 908	\$ 3,300	\$ 2,844

Included in accounts receivable at September 30, 2022 is \$54.3 million (December 31, 2021 - \$41.1 million) of accrued petroleum and natural gas revenue.

13 FINANCIAL RISK MANAGEMENT

Cardinal's financial assets and liabilities consist of trade and other receivables, trade and other payables, risk management assets and liabilities, and bank debt. 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. 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 September 30, 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, and bank debt which is 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 September 30, 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)	\$ 1,737
				\$ 1,737

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 September 30, 2022 commodity prices, a \$1 per barrel change in the price of crude oil would have changed the unrealized gain by \$nil (2021 – \$0.2 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, and bank debt. Trade and other payables are considered due within one year. Bank debt (see note 5) is considered due in fiscal 2024. 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 September 30, 2022 or during the period ended.

14 CONTRACTUAL OBLIGATIONS

As at September 30, 2022, the Company had contractual obligations as follows:

	2022	2023	2024	2025	2026	Thereafter
Trade and other payables	\$ 84,483	-	-	-	-	-
Dividend payable	8,349	-	-	-	-	-
Lease liabilities	420	1,547	392	120	-	-
Bank debt ⁽¹⁾	-	-	42,167	-	-	-
Power purchase commitment	1,357	5,382	4,497	-	-	-
Total contractual obligations	\$ 94,609	\$ 6,929	\$ 47,056	\$ 120	\$ -	\$ -

(1) Amount excludes interest.

15 SUBSEQUENT EVENT

On October 11, 2022, the Company announced that a dividend of \$0.06 per common share would be paid on November 15, 2022 to shareholders of record on October 31, 2022.