CARDINAL ENERGY LTD.

Q3 2023
FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEET

As at, *(Unaudited, thousands)*	*Note*		**September 30, 2023**		December 31, 2022
ASSETS					
Current assets					
Trade and other receivables		**$**	**74,369**	$	64,041
Deposits and prepaid expenses			**5,344**		3,732
Fair value of financial instruments	12		**695**		1,533
			80,408		69,306
Non-current assets					
Exploration and evaluation assets	3		**10,814**		-
Property, plant and equipment	4		**1,083,100**		1,075,941
Deferred tax			**-**		9,766
Total Assets		**$**	**1,174,322**	$	1,155,013
LIABILITIES					
Current liabilities					
Trade and other payables		**$**	**87,550**	$	89,156
Dividends payable	9		**10,023**		10,009
Lease liabilities	6		**1,366**		1,487
Decommissioning obligation	7		**6,811**		8,573
			105,750		109,225
Non-current liabilities					
Lease liabilities	6		**3,626**		3,003
Bank debt	5		**44,106**		31,280
Decommissioning obligation	7		**75,743**		86,135
Deferred tax			**15,616**		-
			139,091		120,418
Total Liabilities			**244,841**		229,643
SHAREHOLDERS' EQUITY					
Share capital	8		**1,114,300**		1,104,304
Treasury shares	8		**(9,037)**		(16,972)
Contributed surplus			**14,958**		25,156
Deficit			**(190,740)**		(187,118)
Total Shareholders' Equity			**929,481**		925,370
Total Liabilities and Shareholders' Equity		**$**	**1,174,322**	$	1,155,013
Contractual obligations	13				
Subsequent event	14				

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

CONDENSED INTERIM STATEMENT OF EARNINGS AND COMPREHENSIVE EARNINGS

(Unaudited, thousands except per share amounts)	*Note*	Three months ended September 30, **2023**	Three months ended September 30, 2022	Nine months ended September 30, **2023**	Nine months ended September 30, 2022
Revenue					
Petroleum and natural gas revenue	11	**$ 169,533**	$ 179,441	**$ 441,563**	$ 582,696
Royalties		**(31,503)**	(38,997)	**(82,812)**	(119,800)
Realized (loss) / gain on commodity contracts	12	**(213)**	-	**1,297**	-
Unrealized (loss) / gain on commodity contracts	12	**1,143**	717	**(838)**	1,737
Processing and other revenue	11	**913**	1,111	**3,185**	3,300
Other income		**-**	-	**-**	391
		139,873	142,272	**362,395**	468,324
Expenses					
Operating		**49,404**	54,559	**148,518**	147,896
Transportation		**1,887**	1,655	**5,707**	4,576
General and administrative		**4,536**	4,313	**14,701**	13,798
Share-based compensation	10	**2,191**	2,048	**6,409**	5,051
Finance		**3,610**	3,458	**10,611**	12,004
Depletion and depreciation	4	**26,927**	26,904	**77,311**	79,177
Impairment		**-**	16,420	**-**	16,420
Gain on acquisition / dispositions	4	**-**	(81)	**(9,902)**	(179)
Loss on secured notes repayment		**-**	-	**-**	759
		88,555	109,276	**253,355**	279,502
Earnings before deferred tax		**51,318**	32,996	**109,040**	188,822
Deferred tax expense		**12,148**	-	**25,830**	-
Earnings and comprehensive earnings for the period		**$ 39,170**	$ 32,996	**$ 83,210**	$ 188,822
Earnings per share	8				
- Basic		**$ 0.25**	$ 0.21	**$ 0.53**	$ 1.23
- Diluted		**$ 0.24**	$ 0.21	**$ 0.52**	$ 1.20

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

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, thousands except number of common shares)	**Common Shares, net of treasury shares**	**Share Capital**	**Treasury Shares**	**Warrants**	**Contributed Surplus**	**Deficit**	**Total Shareholders' Equity**
		(note 8)	*(note 8)*		*(note 10)*		
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**
As at January 1, 2023	155,756,621	$ 1,104,304	$ (16,972)	$ -	$ 25,156	$ (187,118)	$ 925,370
Purchase of common shares for RA [1] and PA [2] settlements	(213,621)	-	(1,500)	-	-	-	(1,500)
Issue of common shares	1,362,397	10,014	-	-	-	-	10,014
Settlement of RA [1] and PA [2]	1,400,776	-	9,435	-	(17,990)	-	(8,555)
Share-based compensation	-	-	-	-	7,350	-	7,350
Tax adjustment on excess value of RA [1] and PA [2]	-	-	-	-	442	-	442
Dividends ($0.54 per share)	-	-	-	-	-	(86,832)	(86,832)
Share issue costs, net of deferred tax of $6	-	(18)	-	-	-	-	(18)
Earnings for the period	-	-	-	-	-	83,210	83,210
As at September 30, 2023	**158,306,173**	**$ 1,114,300**	**$ (9,037)**	**$ -**	**$ 14,958**	**$ (190,740)**	**$ 929,481**

(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

(Unaudited, thousands)	Note	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash provided by (used in)					
Operating activities					
Earnings for the period		**$ 39,170**	$ 32,996	**$ 83,210**	$ 188,822
Adjustments for					
Share-based compensation	10	**2,191**	2,048	**6,409**	5,051
Depletion and depreciation	4	**26,927**	26,904	**77,311**	79,177
Impairment		**-**	16,420	**-**	16,420
Unrealized loss (gain) on commodity contracts	12	**(1,143)**	(717)	**838**	(1,737)
Other income		**-**	-	**-**	(391)
Deferred tax expense		**12,148**	-	**25,830**	-
Accretion	6,7	**1,937**	2,077	**6,034**	6,252
Interest on secured notes		**-**	-	**-**	361
Loss on secured note prepayment		**-**	-	**-**	759
Gain on acquisitions / dispositions	4	**-**	(81)	**(9,902)**	(179)
Decommissioning expenditures	7	**(5,361)**	(7,304)	**(14,192)**	(14,888)
Change in non-cash working capital		**(17,222)**	25,982	**(14,582)**	(11,069)
		58,647	98,325	**160,956**	268,578
Investing activities					
Exploration and evaluation expenditures	3	**(217)**	-	**(575)**	-
Property, plant and equipment expenditures	4	**(28,714)**	(23,845)	**(83,526)**	(85,179)
Property acquisitions		**(3,298)**	(145)	**(4,809)**	(145)
Property dispositions		**1,740**	-	**12,379**	-
Change in non-cash working capital		**11,881**	675	**1,036**	(671)
		(18,608)	(23,315)	**(75,495)**	(85,995)
Financing activities					
Dividends	9	**(29,048)**	(23,808)	**(86,818)**	(23,808)
Repayment of lease liabilities	6	**(513)**	(377)	**(1,390)**	(1,161)
Share issue costs		**-**	-	**(24)**	(71)
Repayment of secured notes		**-**	-	**-**	(13,667)
Purchase of common shares for RA and PA settlements and withholding tax	8	**(1,532)**	(61)	**(10,055)**	(29,516)
Purchase of common shares for cancellation		**-**	(26,095)	**-**	(26,095)
Warrants exercised		**-**	-	**-**	12,092
Increase (decrease) in bank debt	5	**(9,052)**	(24,789)	**12,826**	(100,245)
Change in non-cash working capital		**106**	120	**-**	(112)
		(40,039)	(75,010)	**(85,461)**	(182,583)
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.

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. 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, 2022, except as noted below, 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, 2022.

The financial statements were authorized for issue by the Board of Directors on November 6, 2023.

Significant Accounting Policies

Exploration and evaluation assets "E&E"

Recognition and measurement

Pre-license costs are expensed in the statement of earnings or loss as incurred. E&E costs including the costs of acquiring licenses are capitalized as E&E. Costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

E&E assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E are allocated to their related cash generating unit ("CGU").

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved and/or probable oil and gas reserves are determined to exist. A review of each exploration license or field is carried out at least annually to ascertain whether proved and/or probable oil and gas reserves have been discovered. Upon determination of proved and/or probable oil and gas reserves, E&E attributable to those proved and/or probable oil and gas reserves are first tested for impairment and then reclassified from E&E to PP&E or expensed in earnings or loss to the extent of any impairment.

Impairment

E&E assets are assessed for impairment when they are reclassified to PP&E as petroleum and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, E&E are allocated to the related CGU when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as the reclassification to producing assets (petroleum and natural gas assets in PP&E).

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 EXPLORATION AND EVALUATION ASSETS

Cardinal's exploration and evaluation assets consist of undeveloped land and exploration projects which are pending technical feasibility and commercial viability. Additions represent costs incurred during the year to acquire additional E&E assets.

During 2023, the Company acquired E&E assets of $10.0 million with associated decommissioning obligations of $0.2 million through the issuance of 1,362,397 of Cardinal common shares valued at $7.35 per share. The E&E assets consist of long-term development projects in Saskatchewan that the Company will continue to evaluate in the future. Subsequent to the acquisition Cardinal incurred $0.5 million of expenditures and capitalized $0.1 million of general and administrative and share-based compensation expenses.

At September 30, 2023, there were no indicators of impairment for the Company's exploration and evaluation assets.

4 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Right-of-use assets	Corporate assets	Total
Cost				
As at January 1, 2022	$ 1,823,788	$ 5,490	$ 4,516	$ 1,833,794
Additions	119,327	3,433	854	123,614
Acquisition	2,536	-	-	2,536
Dispositions	(76,859)	(1,268)	(39)	(78,166)
Changes in decommissioning obligation	(6,576)	-	-	(6,576)
As at December 31, 2022	1,862,216	7,655	5,331	1,875,202
Additions	84,285	1,830	448	86,563
Acquisition	6,188	-	-	6,188
Dispositions	(10,228)	(480)	-	(10,708)
Changes in decommissioning obligation	(4,268)	-	-	(4,268)
At September 30, 2023	**$ 1,938,193**	**$ 9,005**	**$ 5,779**	**$ 1,952,977**
Accumulated depletion and depreciation				
As at January 1, 2022	$ (806,294)	$ (3,470)	$ (3,183)	$ (812,947)
Depletion and depreciation	(100,663)	(1,305)	(499)	(102,467)
Disposition	68,435	1,268	39	69,742
Impairment reversal, net	46,411	-	-	46,411
As at December 31, 2022	(792,111)	(3,507)	(3,643)	(799,261)
Depletion and depreciation	(75,667)	(1,177)	(467)	(77,311)
Dispositions	6,267	428	-	6,695
At September 30, 2023	**$ (861,511)**	**$ (4,256)**	**$ (4,110)**	**$ (869,877)**
Net book value				
At December 31, 2022	$ 1,070,105	$ 4,148	$ 1,688	$ 1,075,941
At September 30, 2023	**$ 1,076,682**	**$ 4,749**	**$ 1,669**	**$ 1,083,100**

The calculation of depletion for the period ended September 30, 2023 includes forecasted future development costs of $210 million (December 31, 2022 - $224.7 million) associated with the development of the Company's proved and probable oil and gas reserves.

For the nine months ended September 30, 2023, Cardinal capitalized $1.6 million of general and administrative expenses (2022 - $1.5 million) and $0.9 million (2022 - $0.7 million) of share-based compensation.

During 2023, the Company completed various minor property acquisitions for total consideration of $4.8 million, after closing adjustments, with associated decommissioning obligations of $1.3 million.

During 2023, the Company disposed of non-core assets for cash proceeds of $12.4 million, after closing adjustments. The assets consisted of petroleum and natural gas properties with a net book value of $4.0 million and associated decommissioning liabilities of $1.5 million, resulting in a gain of $9.9 million.

Impairment
At September 30, 2023, there were no indicators of impairment for petroleum and natural gas assets in any of the Company's CGUs.

5 BANK DEBT

The Company's reserves-based revolving credit facility of $155.0 million is comprised of a $135.0 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, 2024 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, 2025.

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, 2023.

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 $1.6 million were outstanding at September 30, 2023 (2022 – $1.7 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, 2023. For the nine months ended September 30, 2023, the effective interest rate on the Company's bank debt was 8.1% (2022 – 5.2%).

6 LEASE LIABILITIES

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 4,490**	$ 2,631
Additions	**1,830**	3,433
Dispositions	**(52)**	-
Accretion	**114**	-
Finance cost	**126**	146
Lease payments	**(1,516)**	(1,720)
Balance, end of period	**$ 4,992**	$ 4,490

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

	As at September 30, 2023	As at December 31, 2022
Less than 1 year	**$ 1,669**	$ 1,746
1 - 3 years	**2,287**	1,472
4 - 5 years	**843**	817
Thereafter	**1,060**	1,323
Total undiscounted future lease payments	**5,859**	5,358
Amounts representing financing	**(867)**	(868)
Present value of net lease payments	**4,992**	4,490
Less current portion of lease liabilitles	**(1,366)**	(1,487)
Non-current portion of lease liabilities	**$ 3,626**	$ 3,003

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, 2023 were between 6% and 9% (2022 – between 6% and 8%), depending on the duration of the lease term.

7 DECOMMISSIONING OBLIGATION

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of period	**$ 94,708**	$ 120,791
Liabilities incurred	**304**	989
Liabilities acquired	**1,566**	104
Liabilities disposed	**(1,484)**	(8,238)
Change in estimates	**(4,268)**	(6,576)
Government subsidy for decommissioning expenditures	**-**	(810)
Decommissioning expenditures	**(14,192)**	(19,610)
Accretion	**5,920**	8,058
Balance, end of period	**$ 82,554**	$ 94,708

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, 2023, the total estimated amount to settle Cardinal's decommissioning obligation was $358 million (December 31, 2022 - $371 million) on an uninflated and undiscounted basis and $626 million (December 31, 2022 - $716 million) on an inflated and undiscounted basis.

The decommissioning obligation was determined by applying an inflation factor of 1.75% (2022 – 2.09%) and discounting the inflated amount using Cardinal's credit-adjusted rate of 9.0% (2022 – 9.0%). The majority of the costs are expected to be incurred over the next 50 years.

8 SHARE CAPITAL

At September 30, 2023, 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 28, 2023, the Company announced that the Toronto Stock Exchange ("TSX") had accepted the Company's intention to renew its NCIB. Pursuant to the NCIB, the Company is permitted to purchase up to 12,062,372 common shares, representing approximately 10% of its public float as of June 16, 2023, over a twelve month period which commenced on June 30, 2023. The 2023 NCIB will expire no later than June 29, 2024.

The Company has not repurchased any common shares in 2023 while 3,724,156 common shares were repurchased in 2022 at an average price of $7.05 per common share.

Share capital is 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. All common shares purchased under the NCIB are cancelled.

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, 2023, the trustee purchased 213,621 common shares for $1.5 million (2022 – 2,691,538 for $19.0 million) for the settlement of future vesting RAs and PAs.

During the nine months ended September 30, 2023, the Company utilized 1,400,776 (2022 – 1,588,996) treasury shares to settle vesting RAs and PAs. As at September 30, 2023, 1,332,526 (December 31, 2022 – 2,519,681) common shares remained classified as treasury shares to be potentially used for future settlements.

Earnings per share

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Earnings for the period	**$ 39,170**	$ 32,996	**$ 83,210**	$ 188,822
Earnings per share				
- Basic	**$ 0.25**	$ 0.21	**$ 0.53**	$ 1.23
- Diluted	**$ 0.24**	$ 0.21	**$ 0.52**	$ 1.20
Weighted average number of common shares				
- Basic	**158,424,474**	156,611,660	**157,551,082**	153,401,454
- Diluted	**160,455,916**	159,931,574	**159,983,938**	157,275,781

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, 2023, 3,505 RAs (2022 – 33,105) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

For the nine months ended September 30, 2023, 8,915 RAs (2022 – 48,105) and 7,529 PAs (2022 – nil) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

9 DIVIDENDS

During the three months ended September 30, 2023, $29.0 million ($0.18 per common share) (2022 – $24.0 million at $0.15 per common share) of dividends were declared, of which $19.0 million (2022 – $15.6 million) was paid in cash and $10.0 million (September 30, 2022 – $8.4 million) was recognized as a liability at September 30, 2023. The dividend payable was settled on October 16, 2023. In the third quarter of 2023, the Company also paid dividends of $10.0 million which was recognized as a liability at June 30, 2023.

During the nine months ended September 30, 2023, $86.8 million ($0.54 per common share) (2022 – $32.2 million at $0.20 per common share) of dividends were declared, of which $76.8 million (2022 – $23.8 million) was paid in cash and $10.0 million (September 30, 2022 – $8.4 million) was recognized as a liability at September 30, 2023. In the nine months ended September 30, 2023, the Company also paid dividends of $10.0 million which was recognized as a liability at December 31, 2022.

10 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 $7.16 per common share (2022 - $7.42) during the nine months ended September 30, 2023.

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, 2022	1,536,246	3,665,598
Granted	397,800	778,662
Settled	(606,123)	(1,931,131)
Forfeited	-	(143,053)
Expired	-	(10,885)
As at December 31, 2022	1,327,923	2,359,191
Granted	500,388	997,790
Settled	(738,723)	(1,269,284)
Forfeited	(46,329)	(187,821)
As at September 30, 2023	**1,043,259**	**1,899,876**

For the nine months ended September 30, 2023, upon the vesting of 1,269,284 (2022 – 1,897,154) RAs and 738,723 (2022 – 606,123) PAs, when taking into account the performance multiplier for PAs, the Company issued 1,400,776 (2022 – 1,588,996) treasury shares and made payments of $8.6 million (2022 - $10.5 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 $6.73 (2022 – $7.48) and PAs granted was $6.70 (2022 – $7.50).

Share-based Compensation
For the three and nine months ended September 30, 2023 $2.2 million (2022 - $2.1 million) and $6.4 million (2022 - $5.1 million), respectively, of share-based compensation was expensed and $0.4 million (2022 - $0.3 million) and $0.9 million (2022 - $0.7 million), respectively, was capitalized.

11 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,	
	2023	2022	**2023**	2022
Crude oil	**$ 162,742**	$ 168,565	**$ 420,762**	$ 545,951
NGL	**2,851**	4,421	**8,213**	13,454
Natural gas	**3,940**	6,455	**12,588**	23,291
Petroleum and natural gas revenue	**$ 169,533**	$ 179,441	**$ 441,563**	$ 582,696
Processing and other revenue	**$ 913**	$ 1,111	**$ 3,185**	$ 3,300

Included in accounts receivable at September 30, 2023 is $59.0 million (December 31, 2022 - $45.7 million) of accrued petroleum and natural gas revenue.

12 FINANCIAL RISK MANAGEMENT

Cardinal's financial assets and liabilities consist of trade and other receivables, trade and other payables, dividends payable, fair value of financial instruments, and bank debt. Fair value of financial instruments 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, 2023 and 2022, the only assets or liabilities measured at fair value were the fair value of financial instruments which are classified as level 2 financial instruments.

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, dividends payable, 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, and dividends payable 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, 2023 Cardinal had the following commodity financial derivative contract outstanding:

Type of instrument	Remaining term	Average quantity			Average strike price	Fair value
USD WCS Basis Swap	October 1, 2023 - December 31, 2023	500	bbl/d	USD	$ (15.00)	$ 217
USD WCS Basis Swap	October 1, 2023 - December 31, 2023	500	bbl/d	USD	$ (16.00)	$ 148
USD WCS Basis Swap	October 1, 2023 - January 31, 2024	500	bbl/d	USD	$ (15.00)	$ 330
						$ 695

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, dividends payable, and bank debt. Trade and other payables and dividends payable are considered due within one year. Bank debt (see note 5) is considered due in 2025. The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities. The Company has had no defaults or breaches with respect to its financial liabilities as at September 30, 2023.

13 CONTRACTUAL OBLIGATIONS

As at September 30, 2023, the Company had contractual obligations as follows:

	2023	2024	2025	2026	2027	Thereafter
Trade and other payables	$ 87,550	-	-	-	-	-
Dividend payable	10,023	-	-	-	-	-
Lease liabilities	592	1,447	1,364	704	427	1,324
Bank debt (1)	-	-	44,106	-	-	-
Power purchase commitment	3,543	13,735	11,904	11,904	11,904	-
Total contractual obligations	**$ 101,708**	**$ 15,182**	**$ 57,374**	**$ 12,608**	**$ 12,331**	**$ 1,324**

(1) Amount excludes interest.

14 SUBSEQUENT EVENT

On October 3, 2023, the Company closed an asset acquisition to acquire certain petroleum and natural gas properties including assets within its core operating area of Mitsue. Total consideration provided was $24.6 million, before closing adjustments.