



**CARDINAL**  
ENERGY LTD.

**2023**  
**MANAGEMENT DISCUSSION & ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") is a review of the operations, financial position and outlook for Cardinal Energy Ltd. ("Cardinal" or the "Company") for the three months and year ended December 31, 2023 and is dated March 14, 2024. This MD&A should be read in conjunction with Cardinal's audited financial statements as at and for the years ended December 31, 2023 and 2022. Financial data presented has been prepared in accordance with IFRS Accounting Standards, 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 of Disclosure for Oil and Gas Activities* ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent ("boe") using a conversion ratio 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 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 measures, which do not have any standardized meaning in accordance with IFRS Accounting Standards 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. The Company continues to monitor progress on these reporting requirements and has not yet quantified the cost to comply with these standards.

## ANNUAL AND FOURTH QUARTER 2023 HIGHLIGHTS

- For the fourth quarter of 2023, production increased 4% over the same period in 2022;
- Fourth quarter adjusted funds flow<sup>(1)</sup> was \$64 million while 2023 adjusted funds flow was \$253.7 million leading to free cash flow<sup>(1)</sup> of \$48.4 million and \$156.7 million for the fourth quarter and 2023, respectively;
- Net operating expenses<sup>(1)</sup> per boe decreased 10% in the fourth quarter compared to the same period in 2022 due to lower power prices and Cardinal's fixed price power contracts;
- General and administrative costs per boe decreased 16% in the fourth quarter of 2023 compared with the same period in 2022;
- The Company closed the acquisition of approximately 900 boe/d of production with the consolidation of a light oil unit interest at Mitsue, Alberta and an additional Clearwater oil area for \$24.6 million;
- In 2023, Cardinal established a new business unit with the acquisition of a steam-assisted gravity drainage ("SAGD") project in southern Saskatchewan and spent approximately \$4.9 million in 2023 evaluating and de-risking the project's future development;
- Maintained a strong balance sheet with \$83.7 million of net debt<sup>(1)</sup> resulting in a 0.3x net debt to adjusted funds flow ratio<sup>(1)</sup>;
- Continued with our successful shareholder return strategy with a consistent \$0.06 per share per month dividend leading to \$115.8 million being returned to shareholders in 2023 resulting in an 84% total payout ratio<sup>(1)</sup>.

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Cash flow from operating activities	69,305	68,685	1	230,261	337,263	(32)
Change in non-cash working capital	(14,308)	(5,159)	177	274	5,910	(95)
<b>Funds flow<sup>(1)</sup></b>	<b>54,997</b>	<b>63,526</b>	<b>(13)</b>	<b>230,535</b>	<b>343,173</b>	<b>(33)</b>
Decommissioning expenditures	8,971	4,722	90	23,163	19,610	18
<b>Adjusted funds flow</b>	<b>63,968</b>	<b>68,248</b>	<b>(6)</b>	<b>253,698</b>	<b>362,783</b>	<b>(30)</b>

(1) See Non-GAAP and other financial measures

## OPERATIONS

### PRODUCTION

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Light oil (bbl/d)	8,566	8,051	6	8,084	8,045	-
Medium / heavy oil (bbl/d)	10,100	9,891	2	10,164	10,086	1
Crude oil (bbl/d)	18,666	17,942	4	18,248	18,131	1
Natural gas (mcf/d)	15,644	15,222	3	15,838	14,933	6
NGL (bbl/d)	891	802	11	817	851	(4)
<b>boe/d</b>	<b>22,164</b>	<b>21,281</b>	<b>4</b>	<b>21,705</b>	<b>21,471</b>	<b>1</b>
<b>% Crude oil and NGL production</b>	<b>88%</b>	<b>88%</b>	<b>-</b>	<b>88%</b>	<b>88%</b>	<b>-</b>

Fourth quarter 2023 production increased 4% over the same period in 2022 due to incremental oil and natural gas production from the Company's 2023 drilling program combined with a fourth quarter 2023 acquisition of approximately 900 boe/d of production at Mitsue, Alberta and Clearwater oil production at Buffalo Lake, Alberta (the "Mitsue/Buffalo Lake Acquisition"). The increased production was partially offset by the disposition of approximately 200 boe/d of non-core non-operated production in the fourth quarter of 2023.

For 2023, production increased 1% over 2022, due to the Company's production additions from the 2023 drilling program combined with the incremental production from the Mitsue/Buffalo Lake Acquisition. The production additions were partially offset by the Alberta wildfires experienced in the second quarter of 2023 which decreased Cardinal's annual production by approximately 170 boe/d.

## PETROLEUM AND NATURAL GAS REVENUE

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Light oil	70,775	73,465	(4)	269,953	328,715	(18)
Medium / heavy oil	70,688	70,284	1	292,273	360,986	(19)
Crude oil	141,463	143,749	(2)	562,226	689,701	(18)
NGL	3,097	3,623	(15)	11,309	17,077	(34)
Natural gas	3,482	7,522	(54)	16,070	30,812	(48)
<b>Petroleum and natural gas revenue</b>	<b>148,042</b>	<b>154,894</b>	<b>(4)</b>	<b>589,605</b>	<b>737,590</b>	<b>(20)</b>
<b>Cardinal average prices</b>						
Light oil (\$/bbl)	89.80	99.18	(9)	91.49	111.94	(18)
Medium / heavy oil (\$/bbl)	76.08	77.24	(2)	78.78	98.06	(20)
Natural gas (\$/mcf)	2.42	5.37	(55)	2.78	5.65	(51)
<b>Equivalent (\$/boe)</b>	<b>72.60</b>	<b>79.11</b>	<b>(8)</b>	<b>74.43</b>	<b>94.12</b>	<b>(21)</b>
<b>Benchmark prices</b>						
Crude oil - WTI (US \$/bbl)	78.32	82.65	(5)	77.76	94.23	(17)
Crude oil - Edmonton light (Cdn \$/bbl)	99.72	109.92	(9)	100.52	120.04	(16)
Crude oil - WCS (Cdn \$/bbl)	76.96	77.09	-	79.52	98.42	(19)
Natural gas - AECO Spot (Cdn \$/mcf)	2.34	5.19	(55)	2.68	5.39	(50)
WCS Differential to WTI (US\$/bbl)	(21.88)	(25.89)	(15)	(18.70)	(18.28)	2
Exchange rate - (US/Cdn)	0.73	0.74	(1)	0.74	0.77	(4)

Petroleum and natural gas revenue decreased 4% in the fourth quarter of 2023 compared to the same period in 2022 due to an 8% decrease in realized commodity prices partially offset by a 4% increase in production. In the fourth quarter of 2023, the Company's realized light-oil price decrease of 9% was equivalent to the Edmonton light oil benchmark price decrease as compared with the fourth quarter of 2022. Cardinal's fourth quarter 2023 realized medium / heavy oil price decreased by 2% over the same period in 2022 which was lower than the Western Canadian Select ("WCS") benchmark decrease due to certain new WCS production realizing a lower price from higher tariffs and quality adjustments. The Company's fourth quarter 2023 realized natural gas price decreased 55% over the same period in 2022 which was equivalent to the 55% decrease in the AECO natural gas benchmark price.

For 2023, petroleum and natural gas revenue decreased 20% as compared to 2022 due to lower realized commodity prices. In 2023, the Company's light oil, medium/heavy oil and natural gas price decreases tracked their respective benchmark price decreases compared with 2022.

## FINANCIAL INSTRUMENTS – COMMODITY

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Realized gain - commodity contracts	1,213	1,661	(27)	2,510	1,661	51
Unrealized gain/(loss) - commodity contracts	(591)	(204)	190	(1,429)	1,533	(193)

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 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.

During the fourth quarter of 2023, the Company realized a gain of \$1.2 million by fixing the WCS basis differential on 1,500 bbl/d of oil production at an average price of US\$15.33/bbl. For 2023, Cardinal realized a gain of \$2.5 million fixing the WCS differential through the last half of the year at various monthly production levels at an average price of US\$15.21/bbl.

The Company has fixed the WCS differential for certain months in 2024, however, has elected to remain unhedged on WTI oil prices for 2024 and beyond due to backwardated commodity pricing curves combined with reduced corporate risk from lower debt levels. The Company will continue to monitor the spot and forward prices as well as expected expenditure levels in 2024.

As of the date of this MD&A, Cardinal had the following commodity derivative contracts outstanding:

Type of instrument	Remaining term	Average quantity	Average strike price
USD WCS Basis Swap	April 1, 2024 - June 30, 2024	2,000 bbl/d	USD \$ (14.00)
USD WCS Basis Swap	July 1, 2024 - September 30, 2024	4,000 bbl/d	USD \$ (12.50)
USD WCS Basis Swap	October 1, 2024 - December 31, 2024	2,000 bbl/d	USD \$ (14.00)

## ROYALTIES

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Royalties	<b>29,806</b>	30,201	(1)	<b>112,618</b>	150,001	(25)
Percent of revenue	<b>20.1%</b>	19.5%	3	<b>19.1%</b>	20.3%	(6)
\$/boe	<b>14.62</b>	15.43	(5)	<b>14.22</b>	19.14	(26)

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 slightly increased during the fourth quarter of 2023 as compared to the same period in 2022 due to certain oil production from new wells reaching payout in 2023 and therefore attract a higher Crown royalty rate. Partially offsetting this, lower commodity prices experienced in the fourth quarter generally attract a lower Crown royalty rate on certain production.

For 2023, lower commodity prices led to lower royalties as a percentage of revenue. Crown royalty rates are on a sliding scale and therefore a decrease in commodity pricing leads to a decrease in Crown royalty rates.

## NET OPERATING EXPENSES

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Operating expenses	<b>48,222</b>	51,301	(6)	<b>196,740</b>	199,197	(1)
Less: Processing and other revenue	<b>(946)</b>	(950)	-	<b>(4,131)</b>	(4,250)	(3)
Net operating expenses <sup>(1)</sup>	<b>47,276</b>	50,351	(6)	<b>192,609</b>	194,947	(1)
\$/boe <sup>(1)</sup>	<b>23.19</b>	25.72	(10)	<b>24.31</b>	24.88	(2)

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

During the fourth quarter of 2023, net operating expenses per boe decreased by 10%, over the same period in 2022 due to lower Alberta power costs partially offset by higher well servicing and workover costs. In the fourth quarter of 2023, the average power price in Alberta decreased by approximately 62% over the same period in 2022 to average approximately \$82/MWh. The decreased power price has reduced Cardinal's net operating expenses per boe by approximately \$3.00/boe in the fourth quarter of 2023.

For 2023, lower power costs which were partially offset by inflationary pressures on labor and services have decreased our net operating expenses per boe by 2%. For 2023, Cardinal fixed the price on approximately 70% of our estimated Alberta power usage at an average price of approximately \$85/MWh which is 36% lower than the average Alberta power price experienced in 2023.

## TRANSPORTATION EXPENSES

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Transportation expenses	<b>2,239</b>	1,699	32	<b>7,946</b>	6,275	27
\$/boe	<b>1.10</b>	0.87	26	<b>1.00</b>	0.80	25

Transportation costs and transportation costs per boe increased in the fourth quarter and for 2023 as compared with the same periods in 2022 as new oil production from wells drilled in our North area is currently trucked, increasing the Company's clean oil trucking costs in the fourth quarter and for 2023 as compared to the same periods in 2022.

## NETBACK

(\$/boe)	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Petroleum and natural gas revenue	<b>72.60</b>	79.11	(8)	<b>74.43</b>	94.12	(21)
Royalties	<b>(14.62)</b>	(15.43)	(5)	<b>(14.22)</b>	(19.14)	(26)
Net operating expenses	<b>(23.19)</b>	(25.72)	(10)	<b>(24.31)</b>	(24.88)	(2)
Transportation expenses	<b>(1.10)</b>	(0.87)	26	<b>(1.00)</b>	(0.80)	25
Netback <sup>(1)</sup>	<b>33.69</b>	37.09	(9)	<b>34.90</b>	49.30	(29)

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

Cardinal's fourth quarter and 2023 netback<sup>(1)</sup> decreased as compared to the same periods in 2022 due to lower commodity prices partially offset by lower royalties and net operating expenses.

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

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Gross G&A	<b>5,549</b>	6,266	(11)	<b>25,343</b>	24,464	4
Capitalized G&A and overhead recoveries	<b>(1,440)</b>	(1,550)	(7)	<b>(6,533)</b>	(5,950)	10
G&A	<b>4,109</b>	4,716	(13)	<b>18,810</b>	18,514	2
\$/boe	<b>2.02</b>	2.41	(16)	<b>2.37</b>	2.36	-

In the fourth quarter of 2023, G&A costs per boe have decreased by 16% over the same period in 2022 due to a decrease in the Company's performance criteria component of the corporate compensation program. For 2023, additional staffing costs to accommodate increased activity were partially offset by a reduction in the Company's performance criteria component of the corporate compensation program.

## SHARE-BASED COMPENSATION ("SBC")

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Gross SBC	1,966	2,441	(19)	9,316	8,159	14
Capitalized SBC	(299)	(300)	-	(1,240)	(967)	28
SBC	1,667	2,141	(22)	8,076	7,192	12
\$/boe	0.82	1.09	(25)	1.02	0.92	11

SBC expense decreased in the fourth quarter of 2023 compared to the same period in 2022 due to a decrease in the Company's estimated performance criteria component of performance awards ("PA") which was partially offset by an increase in the grant date fair value of restricted bonus awards ("RA") and PAs.

For 2023 an increase in the grant date fair value of outstanding PAs and RAs has increased the SBC as compared to 2022. Partially offsetting this increase is a reduction in the number of RAs and PAs outstanding in 2023 compared to 2022.

As at December 31, 2023, Cardinal had 1.8 million RAs and 1.0 million PAs outstanding.

## FINANCE

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Interest - bank debt	1,542	943	64	5,177	5,406	(4)
Other finance charges, net	254	361	(30)	1,073	1,179	(9)
Interest - secured notes	-	-	-	-	361	(100)
Interest - leases	59	36	64	184	146	26
Accretion	1,905	1,806	5	7,937	8,058	(2)
Finance	3,760	3,146	20	14,371	15,150	(5)
\$/boe	1.84	1.61	14	1.81	1.93	(6)
Average bank debt	72,313	51,312	41	63,302	98,099	(35)
Interest rate - bank debt	8.5%	7.3%	16	8.2%	5.5%	49

In the fourth quarter of 2023, higher interest rates and average bank debt levels increased the interest on bank debt by 64% as compared with the same period in 2022. The Bank of Canada increased prime borrowing rates incrementally from 2.45% in early 2022 to 7.2% in July of 2023.

For 2023, the Company's finance costs have decreased 5% from 2022 due to a 35% decrease in the average bank debt level partially offset by the aforementioned prime borrowing rate increases. Cardinal also repaid the outstanding second lien secured notes late in the first quarter of 2022 which reduced finance costs in 2023 compared to 2022.

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

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Depletion and depreciation	26,193	23,290	12	103,504	102,467	1
\$/boe	12.84	11.90	8	13.06	13.08	-

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 increased in the fourth quarter of 2023 as compared to the same period in 2022 due to the increase in the Company's depletable base from the reversal of prior impairments in the fourth quarter of 2022 partially offset by an increase of Cardinal's 2023 year-end proved plus probable reserve bookings.

D&D costs increased 1% in 2023 as compared to 2022 due to a higher property, plant and equipment depletable base from the Company's impairment reversal in 2022 and additional future development capital booked in the 2023 annual reserve report partially offset by increased proved and probable reserves from the Company's year-end third-party reserve evaluation in 2023.

## IMPAIRMENT AND IMPAIRMENT REVERSAL

At December 31, 2023, there were no indicators of impairment for petroleum and natural gas assets or exploration and evaluation assets in any of the Company's cash generating units ("CGUs").

At December 31, 2022, the Company completed assessments of internal and external indicators of impairment reversal. The Company identified an indicator of impairment reversal at December 31, 2022 for the Alberta Central CGU and performed an impairment reversal test to estimate the recoverable amount of the CGU. It was determined the recoverable amount of the Alberta Central CGU exceeded its carrying value, resulting in all previous Alberta Central CGU impairments, net of depletion, of \$64.3 million being reversed. The impairment reversal was the result of a recovery of the forecasted oil and gas commodity prices, increased economic stability, corporate market capitalization, and greater certainty in the sustainability of the commodity price increases.

## DEFERRED TAXES

At December 31, 2023, the Company has approximately \$1.2 billion of tax pools (\$1.1 billion are unrestricted) available to be applied against future income for tax purposes. Based on available tax pools, forecasted capital expenditures and forecasted commodity prices at December 31, 2023 from the average of three independent third party reserve evaluators, Cardinal does not expect to pay current income taxes until 2027 or beyond. Any potential taxes payable beyond 2027 would be affected by commodity prices, capital expenditures and production volumes.

Tax Pool Balance	Maximum Annual Claim	As at December 31		
		2023	2022	Change %
COGPE	10%	<b>435,427</b>	453,853	(4)
CEE and non-capital losses	100%	<b>469,026</b>	533,409	(12)
CDE	30%	<b>170,850</b>	166,947	2
Undepreciated capital cost	25%	<b>134,435</b>	133,214	1
Other	20%	<b>281</b>	405	(31)
<b>Total</b>		<b>1,210,019</b>	<b>1,287,828</b>	<b>(6)</b>

A deferred tax asset was not recognized in respect of temporary differences related to successor tax pools of \$96 million (2022 – \$101 million) as there is not sufficient certainty regarding future utilization.

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 will continue defending its position. Although, the Company has appealed the reassessment, Cardinal has derecognized these tax pools.



## EARNINGS, CASH FLOW FROM OPERATING ACTIVITIES, ADJUSTED FUNDS FLOW AND PAYOUT RATIO

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Earnings	<b>20,388</b>	113,865	(82)	<b>103,598</b>	302,687	(66)
\$ per share						
Basic	<b>0.13</b>	0.73	(82)	<b>0.66</b>	1.97	(66)
Diluted	<b>0.13</b>	0.71	(82)	<b>0.65</b>	1.92	(66)
Cash flow from operating activities	<b>69,305</b>	68,685	1	<b>230,261</b>	337,263	(32)
\$ per share						
Basic	<b>0.44</b>	0.44	-	<b>1.46</b>	2.19	(33)
Diluted	<b>0.43</b>	0.43	-	<b>1.44</b>	2.14	(33)
Adjusted funds flow	<b>63,968</b>	68,248	(6)	<b>253,698</b>	362,783	(30)
\$ per share <sup>(1)</sup>						
Basic	<b>0.40</b>	0.44	(9)	<b>1.61</b>	2.36	(32)
Diluted	<b>0.40</b>	0.43	(7)	<b>1.59</b>	2.30	(31)
Total payout ratio <sup>(1)</sup>	<b>70%</b>	89%	(21)	<b>84%</b>	49%	71

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

In the fourth quarter of 2023 and for the full year of 2023, earnings decreased 82% and 66%, respectively, over the same periods in 2022 due to a reversal of prior impairments in the fourth quarter of 2022 combined with decreased revenue from lower commodity prices.

Cash flow from operating activities increased slightly in the fourth quarter of 2023 as compared to the same period of 2022. Cash flow from operating activities for the year decreased by 32% compared to 2022 due to lower commodity prices. Adjusted funds flow for the fourth quarter of 2023 and for the full year of 2023 have decreased as compared to the same periods in 2022 due to lower commodity prices.

## CAPITAL EXPENDITURES

In the fourth quarter of 2023, the Company spent \$41.3 million on capital expenditures which included the drilling and completion of one (1.0 net) Clearwater oil well in our North area. The Company continued with its well reactivation program spending \$3.5 million on recompletions and workovers throughout its operating areas. 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. In the fourth quarter, Cardinal closed the Mitsue-Buffalo Lake Acquisition with a purchase price of approximately \$24.6 million. Detailed fourth quarter and full year capital expenditures are as follows:

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Land	<b>907</b>	2,300	(61)	<b>1,841</b>	6,894	(73)
Geological and geophysical	<b>295</b>	28	n/m	<b>295</b>	69	n/m
Drilling, completion, and recompletions	<b>6,468</b>	15,055	(57)	<b>47,730</b>	59,377	(20)
Equipment, facilities and pipelines	<b>7,851</b>	14,773	(47)	<b>47,101</b>	49,082	(4)
Development capital expenditures <sup>(1)</sup>	<b>15,521</b>	32,156	(52)	<b>96,967</b>	115,422	(16)
Capitalized G&A	<b>364</b>	495	(26)	<b>1,996</b>	1,949	2
Other assets	<b>127</b>	395	(68)	<b>575</b>	854	(33)
Property acquisitions, net	<b>25,290</b>	1,862	n/m	<b>17,720</b>	2,007	n/m
Capital expenditures <sup>(1)</sup>	<b>41,302</b>	34,908	18	<b>117,258</b>	120,232	(2)

(1) See Non-GAAP and other financial measures

## EXPLORATION AND EVALUATION (“E&E”) EXPENDITURES

During the second quarter of 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 Cardinal common shares valued at \$7.35 per share. The E&E assets consist of long-term development projects in Saskatchewan that the Company continued to evaluate and de-risk in the second half of 2023.

Subsequent to acquiring the property in 2023, Cardinal has incurred \$4.9 million of expenditures to evaluate seismic and drill six (6.0 net) stratigraphic test wells to further de-risk the development.

Early in 2024, Cardinal entered into an agreement with a third party for the engineering, fabrication and field construction of the Reford, Saskatchewan central processing facility, including the first SAGD well pad. The fixed-price agreement, which represents approximately half of the total estimated project cost, provides cost certainty for Cardinal, in addition to reducing manufacturing uncertainty as a result of the ability to manufacture and fabricate the modular facilities in a controlled indoor environment. Upon completion, the project is expected to produce approximately 6,000 bbl/d (100% heavy crude oil).

## DECOMMISSIONING OBLIGATION

In the fourth quarter of 2023, the Company spent \$9.0 million on decommissioning obligations bringing the total spent in 2023 to \$23.2 million. In addition, in the fourth quarter of 2023, as part of the Mitsue-Buffalo Lake Acquisition, the Company acquired \$7.2 million of liabilities which was more than offset by the disposition of \$7.6 million of decommissioning obligations through a disposition of non-core non operated properties.

## LIQUIDITY AND CAPITAL RESOURCES

Capitalization table	As at		
	Dec 31, 2023	Dec 31, 2022	Change %
Net bank debt <sup>(1)</sup>	\$ 83,650	\$ 62,672	33
Common shares, outstanding	158,095,048	155,756,621	2
Market price at end of year (\$ per share)	\$ 6.28	\$ 7.62	(18)
Market capitalization	992,837	1,186,865	(16)
	\$ 1,076,487	\$ 1,249,537	(14)

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

## CAPITAL FUNDING

### Bank debt

On November 23, 2023 Cardinal renewed its reserves-based revolving credit facility at a level of \$155.0 million 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, therefore, 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 May 31, 2024.

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.

#### Secured Notes

On July 14, 2021, Cardinal issued \$12.5 million principal amount of subordinated second lien secured notes (the "Notes") which accrued interest at 10% per annum with a three-year term. Interest accrued semi-annually and was added to the principal amount paid upon 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, other operational strategies, and shareholder returns. 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, reducing its cost structure, and dividend payments.

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.

	Year ended	
	Dec 31, 2023	Dec 31, 2022
Bank debt	44,920	31,280
Adjusted working capital deficiency <sup>(1)</sup>	38,730	31,392
Net debt <sup>(1)</sup>	83,650	62,672
Cash flow from operating activities	230,261	337,263
Change in non-cash working capital	274	5,910
Funds flow	230,535	343,173
Decommissioning obligation expenditures	23,163	19,610
Adjusted funds flow	253,698	362,783
Net debt to adjusted funds flow <sup>(1)</sup>	0.3	0.2

(1) See Non-GAAP and other financial measures

Cardinal's ratio of net debt to adjusted funds flow as at December 31, 2023 was 0.3 to 1, which is below the Company's targeted range of 1.0 to 1. This ratio has decreased over the last two years due to higher commodity prices, a disciplined capital expenditure program and the Company's debt reduction strategy.

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 2024 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 \$38.7 million at December 31, 2023 and continues to have excess capacity as of 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. At current commodity prices, present sources of capital are anticipated to be sufficient to satisfy the Company's capital expenditure program, decommissioning obligations, and dividend payments for the 2024 fiscal year and beyond.

## DIVIDENDS

	Three months ended			Year ended		
	Dec 31, 2023	Dec 31, 2022	Change %	Dec 31, 2023	Dec 31, 2022	Change %
Dividends declared	28,975	28,699	1	115,807	60,856	90
Dividends declared per share	\$ 0.18	\$ 0.18	-	\$ 0.72	\$ 0.38	89

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. Beginning in the fourth quarter of 2022, Cardinal increased the Company's dividend to \$0.06 per common share per month.

During the three months ended December 31, 2023, \$29.0 million or \$0.18 per common share (2022 – \$28.7 million or \$0.18 per common share) of dividends were declared, of which \$19.0 million (2022 – \$18.7 million) was paid in cash and \$10.0 million (December 31, 2022 – \$10.0 million) was recognized as a liability at December 31, 2023. The dividend payable was settled on January 15, 2024.

During 2023, \$115.8 million or \$0.72 per common share (2022 – \$60.9 million or \$0.38 per common share) of dividends were declared, of which \$105.8 million (2022 – \$50.9 million) was paid in cash and \$10.0 million (December 31, 2022 – \$10.0 million) was recognized as a liability at December 31, 2023.

## SHARE CAPITAL

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 commencing June 30, 2023. The 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, 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.

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 year ended December 31, 2023, the trustee purchased 426,981 common shares (2022 – 2,691,538) for \$3.0 million (2022 - \$19.0 million) for the settlement of future vesting RAs and PAs.

During the year ended December 31, 2023, the Company utilized 1,403,011 (2022 –1,608,629) treasury shares to settle vesting RAs and PAs. As at December 31, 2023, 1,543,651 (December 31, 2022 – 2,519,681) common shares remained classified as treasury shares to be potentially used for future settlements.

In 2023, Cardinal granted 1.0 million RAs (2022 – 0.8 million) and 0.5 million PAs (2022 – 0.4 million) to officers, directors and employees pursuant to the Company's bonus award plan.

<b>Equity Instruments as at</b>	<b>Mar 14, 2024</b>	<b>Dec 31, 2023</b>	<b>Dec 31, 2022</b>
Common shares, issued	159,638,699	159,638,699	158,276,302
Treasury shares	(1,538,607)	(1,543,651)	(2,519,681)
RAs	1,911,299	1,844,379	2,359,191
PAs	1,043,259	1,043,259	1,327,923

## OFF BALANCE SHEET ARRANGEMENTS

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

## CONTRACTUAL OBLIGATIONS

At December 31, 2023, the Company had contractual obligations as follows:

	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>Thereafter</b>
Trade and other payables	86,063	-	-	-	-	-
Dividend payable	10,001	-	-	-	-	-
Lease liabilities	1,702	1,653	942	436	422	901
Bank debt <sup>(1)</sup>	-	44,920	-	-	-	-
Thermal facility construction & engineering <sup>(2)</sup>	45,980	54,880	-	-	-	-
Power purchase commitment <sup>(3)</sup>	13,735	11,904	11,904	11,904	-	-
<b>Total contractual obligations</b>	<b>157,481</b>	<b>113,357</b>	<b>12,846</b>	<b>12,340</b>	<b>422</b>	<b>901</b>

(1) Amount excludes interest.

(2) Contract signed on February 1, 2024. See "Exploration and Evaluation Expenditures"

(3) Amounts represent the portion of the Company's power cost that has been fixed

## ADDITIONAL INFORMATION

### MATERIAL ACCOUNTING ESTIMATES

Cardinal's material accounting policies including the use of judgments and key sources of estimation uncertainty, can be found in notes 3 and 4 of the December 31, 2023 financial statements. The timely preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the period. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in these estimates could be material. 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.

## *Material and other Judgments*

### *(i) Identification of cash generating units*

Cardinal's assets are aggregated into CGUs for the purpose of calculating impairment. CGUs are based on an assessment of the unit's ability to generate largely independent cash inflows. The determination of these CGUs was based on management's judgment in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

### *(ii) Impairment of exploration and evaluation assets*

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).

### *(iii) Impairment of property, plant and equipment*

Judgments are required to assess when internal or external indicators of impairment, or indicators of impairment reversal, exist and impairment testing is required. In determining the recoverable amount of PP&E, which includes petroleum and natural gas assets, impairment tests are based on estimates of proved and probable oil and gas reserves which are based upon a number of significant assumptions, such as forecasted production volumes, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## *Key and other Sources of Estimation Uncertainty*

### *(i) Reserve estimates*

The Company uses estimated proved and probable oil and gas reserves to deplete its petroleum and natural gas assets included in PP&E, to assess for indicators of impairment on the Company's CGUs and if any such indicators exist, to perform an impairment test to estimate the recoverable amount of its CGUs. Estimates of proved and probable oil and gas reserves are based upon a number of significant assumptions, such as forecasted production volumes, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. Cardinal engaged independent third-party reserve evaluators to evaluate the Company's estimates of proved and probable oil and gas reserves at December 31, 2023 and 2022. Reserve adjustments are made annually based on actual volumes produced, the results from capital expenditure programs, revisions to previous estimates, new discoveries and acquisitions and dispositions made during the year.

Proved oil and gas reserves are those forecasted quantities of oil and gas determined to be economically recoverable under existing economic and operating conditions with a high degree of certainty, of at least 90 percent, that those quantities will be equaled or exceeded. Probable oil and gas reserves are those forecasted quantities of petroleum and natural gas determined to be economically recoverable under existing economic and operating conditions with a moderate degree of certainty, of at least 50 percent, that those quantities will be equaled or exceeded. Cardinal reports production and reserve quantities in accordance with Canadian practices and specifically in accordance with NI 51-101.

Cardinal cautions users of this information that the process of estimating proved and probable oil and gas reserves is subject to a level of uncertainty. The proved and probable oil and gas reserves are based on current and forecast economic and operating conditions; therefore, changes can be made to future assessments as a result of a number of factors, which can include forecasted oil and gas commodity prices, new technology, changing economic conditions, future reservoir performance and development activity.

*(ii) Property, plant and equipment*

Petroleum and natural gas assets included in PP&E are depleted using the unit-of-production method based on estimated proved and probable oil and gas reserves determined using a number of significant assumptions, such as forecasted oil and gas commodity prices, forecasted production volumes, forecasted operating costs, forecasted royalty costs and forecasted future development costs. The estimate of proved and probable oil and gas reserves and the discount rate is part of the depletion calculation and the impairment test.

*(iii) Business combinations*

In a business combination, management makes estimates of the fair value of assets acquired and liabilities assumed which includes assessing the value of petroleum and natural gas properties based upon the estimation of recoverable quantities of proved and probable oil and gas reserves being acquired. An acquisition date fair value of petroleum and natural gas properties involves significant estimates, including the estimate of proved and probable oil and gas reserves and the related cash flows and the discount rates.

*(iv) Decommissioning obligation*

Cardinal recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the balance sheet date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation.

*(v) Taxation*

The calculation of deferred income taxes is based on a number of assumptions including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse to ensure the appropriate estimate of the substantively enacted tax rates at the time of reversal and the likelihood of deferred tax assets being realized.

IFRS requires the Company, at each reporting date, to make certain judgments on uncertain tax positions by relevant tax authorities. Judgments include determining whether the Company will “more likely than not” be successful in defending its tax positions by considering information from relevant tax interpretations and tax laws in Canada. As such, this recognition threshold is subject to management’s judgment and may impact the carrying value of the Company’s deferred tax assets and liabilities at the end of the reporting period.

## **RISKS**

*Financial Risk*

Financial risk is the risk of loss or lost opportunity resulting from financial management and market conditions that could have a positive or negative impact on Cardinal's business. Financial risks the Company is exposed to include: marketing production at an acceptable price given market conditions; finding and producing reserves at a reasonable cost; volatility in market prices for oil and natural gas; fluctuations in foreign exchange and interest rates; stock market volatility; debt service which may limit timing or amount of dividends as well as market price of shares; the continued availability of adequate debt and equity financing and funds flow to fund planned expenditures; sufficient liquidity for future operations; lost revenue or increased expenditures as a result of delayed or denied environmental, safety or regulatory approvals; cost of capital risk to carry out the Company's operations; and uncertainties associated with credit facilities and counterparty credit risk.

### *Climate Change Risk*

Widening concerns over climate change, fossil fuel consumption, greenhouse gas emissions, and water and land use could lead governments to enact additional laws, regulations and costs or taxes that may be applicable to Cardinal. Changes to environmental regulations related to climate change could impact the demand for, development of, or quality of Cardinal's petroleum products, or could require increased capital expenditures, operating expenses, asset retirement obligations and costs, which could result in increased costs which would reduce the profitability and competitiveness of Cardinal if commodity prices do not rise commensurate with the increased costs. In addition, such regulatory changes could necessitate Cardinal to develop or adapt new technologies, possibly requiring significant investments of capital. Where possible, Cardinal has considered these factors in the preparation of the consolidated financial statements.

Notably, the Canadian Federal government has committed to cap and reduce greenhouse gas emissions from the oil and gas sector at a pace and scale necessary to support Canada's 2040 climate goals and achieve net-zero emissions by 2050. The proposed framework, "A Regulatory Framework to Cap Oil and Gas Sector Greenhouse Gas Emissions", released in December 2023, outlines an emissions cap and maximum allowable emissions from covered sources in 2030. While there are still many gaps in the information available, the proposed legislation could require a change to Cardinal's business plans and allocation of investments. Cardinal is continuing to monitor the evolving regulatory landscape and the potential impacts thereof.

### *Operational Risk*

Operational risk is the risk of loss or lost opportunity resulting from operating and capital activities that, by their nature, could have an impact on the Company's ability to achieve objectives. Operational risks that Cardinal is exposed to include: uncertainties associated with estimating oil and natural gas reserves; incorrect assessments of the value of acquisitions and exploration and development programs; failure to realize the anticipated benefits of acquisitions; uncertainties associated with partner plans and approvals; operational matters related to non-operated properties; inability to secure adequate product transportation; delays in business operations, pipeline restrictions, blowouts; unforeseen title defects; increased competition for, among other things, capital, acquisitions of reserves and undeveloped lands; competition for and availability of qualified personnel or management; loss of key personnel; unexpected geological, technical, drilling, construction and processing problems; availability of insurance; competitive action by other companies; the ability of suppliers to meet commitments and risks; and uncertainties related to oil and gas interests and operations on tribal lands.

### *Safety, Environmental and Regulatory Risks*

Safety, environmental and regulatory risks are the risks of loss or lost opportunity resulting from changes to laws governing safety, the environment, royalties and taxation. Safety, environmental and regulatory risks that Cardinal is exposed to include: aboriginal land claims; uncertainties associated with regulatory approvals; uncertainty of government policy changes; the risk of carrying out operations with minimal environmental impact; changes in or adoption of new laws and regulations or changes in how they are interpreted or enforced; obtaining required approvals of regulatory authorities and stakeholder support for activities and growth plans.

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.

### *Information Systems*

Our operations rely heavily on information technology, such as computer hardware and software systems, to properly operate our business. These systems could be damaged, corrupted or interrupted by natural disasters, telecommunications failures, power loss, malicious acts or code, computer viruses, physical or electronic security breaches, user misuse or user error. A system disruption or breach could adversely impact our reputation, financial condition, results of operations and cash flows.



### *Risk Management*

Cardinal is committed to identifying and managing its risks in the near term, as well as on a strategic and longer term basis at all levels in the organization. Issues affecting, or with the potential to affect, our assets, operations and/or reputation, are generally of a strategic nature or are emerging issues that can be identified early and then managed, but occasionally include unforeseen issues that arise unexpectedly and must be managed on an urgent basis.

Cardinal takes a proactive approach to the identification and management of issues that can affect the Company's assets, operations and/or reputation. Specific actions to ensure effective risk management include: employing qualified professional and technical staff; concentrating in a limited number of areas with low cost exploitation and development objectives; utilizing the latest technology for finding and developing reserves; constructing quality, environmentally sensitive and safe production facilities; adopting and communicating sound policies governing all areas of our business; maximizing operational control of drilling and production operations; strategic hedging of commodity prices and foreign exchange rates on borrowings; adhering to conservative borrowing guidelines; and monitoring counterparty creditworthiness.

Additional information regarding risk factors is available in our Annual Information Form, which is available on the SEDAR website at [www.sedarplus.ca](http://www.sedarplus.ca).

## **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), are designed to provide reasonable assurance that material information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

The Company's CEO and CFO have designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's CEO and CFO by others, particularly during the period in which the annual filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures at the financial year end of the Company and have concluded that the Company's disclosure controls and procedures were effective at December 31, 2023 for the foregoing purposes.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Internal control over financial reporting ("ICFR"), as defined in NI 52-109, includes those policies and procedures that: a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of Cardinal; b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures of the Company are being made in accordance with authorizations of management and Directors of Cardinal; and c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in NI 52 - 109, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and the CFO have evaluated the design and operating effectiveness of Cardinal's ICOFR as at December 31, 2023 and have concluded that such internal controls over financial reporting are designed and operating effectively. The control framework Cardinal's officers used to design the Company's ICOFR is COSO 2013.

The CEO and CFO are required to cause the Corporation to disclose any change in the Corporation's internal controls over financial reporting that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting. There were no changes in Cardinal's ICOFR during the quarter ended December 31, 2023 that materially affected, or are reasonably likely to materially affect, the Company's ICOFR.

Due to their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate. It should also be noted that a control system, including the Company's DC&P and ICOFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met and it should not be expected that the DC&P and ICOFR will prevent all errors or fraud.

## OUTLOOK

Throughout 2023, Cardinal made a number of investments to further enhance the quality, predictability and sustainability of our low-decline asset base. The sanctioning of the Reford SAGD project is a cornerstone to extending our reserve life beyond our existing peer leading producing reserve base and decline profile. The project is being developed in a manner that will provide 20 plus years of incremental adjusted funds flow and positively impact Cardinal's per barrel operating cost metrics.

Cardinal will continue to seek opportunities to augment our existing conventional asset base in 2024 and beyond through ongoing drilling and development and assessing acquisition opportunities within our core operating areas.

At current oil price levels, Cardinal is confident in its ability to execute on its 2024 budget, directing a substantial portion of the capital towards the Reford SAGD project. Cardinal expects that adjusted funds flow for 2024 and 2025, driven by our low-decline conventional oil and gas assets, will fund ongoing returns to shareholders and the development of the Reford project. The execution of the Reford project, and the anticipated corresponding increase in adjusted cash flow in 2026, will allow Cardinal to revisit its framework for both shareholder returns and future capital spending budgets.

## QUARTERLY DATA

	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023
<b>Production</b>				
Oil (bbl/d)	18,666	18,433	17,685	18,201
Natural gas (mcf/d)	15,644	15,696	16,038	15,980
NGL (bbl/d)	891	823	689	863
Oil equivalent (boe/d)	22,164	21,872	21,047	21,726
<b>Financial</b>				
Petroleum and natural gas revenue	148,042	169,533	137,053	134,977
Earnings	20,388	39,170	27,719	16,321
Basic per share (\$)	0.13	0.25	0.18	0.10
Diluted per share (\$)	0.13	0.24	0.17	0.10
Cash flow from operating activities	69,305	58,647	61,220	41,089
Total assets	1,187,852	1,174,322	1,154,055	1,143,805
Bank debt	44,920	44,106	53,158	45,320
Total long-term liabilities	160,649	139,091	138,454	128,596
Shareholders' equity	920,688	929,481	918,478	908,314
Dividends declared	28,975	29,032	29,058	28,742
Per share (\$)	0.18	0.18	0.18	0.18
Common shares outstanding, net (000's) <sup>(1)</sup>	158,095	158,306	158,513	157,129
Diluted shares outstanding, net (000's) <sup>(1)</sup>	160,983	161,249	161,492	160,165

	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
<b>Production</b>				
Oil (bbl/d)	17,942	18,329	18,767	17,478
Natural gas (mcf/d)	15,222	15,095	15,511	13,888
NGL (bbl/d)	802	870	928	804
Oil equivalent (boe/d)	21,281	21,715	22,280	20,596
<b>Financial</b>				
Petroleum and natural gas revenue	154,894	179,441	228,917	174,338
Earnings	113,865	32,996	98,586	57,240
Basic per share (\$)	0.73	0.21	0.64	0.38
Diluted per share (\$)	0.71	0.21	0.63	0.35
Cash flow from operating activities	68,685	98,325	120,210	50,043
Total assets	1,155,013	1,060,734	1,130,750	1,122,348
Bank debt	31,280	42,167	66,956	146,564
Total long-term liabilities	120,418	114,115	181,207	263,711
Shareholders' equity	925,370	837,857	850,617	763,396
Dividends declared	28,699	23,996	8,161	-
Per share (\$)	0.18	0.15	0.05	-
Common shares outstanding, net (000's) <sup>(1)</sup>	155,757	155,737	159,143	151,891
Diluted shares outstanding, net (000's) <sup>(1)</sup>	159,444	159,487	162,915	164,990

(1) Net of treasury shares

In 2022, strong commodity prices increased earnings and cash flow from operating activities. In the second quarter of 2022, commodity prices were highest in the year and subsequently decreased in the back half of 2022 and into 2023. The Company's earnings also increased with a non-cash impairment reversal of a previous impairment on its assets in Central Alberta of \$64.3 million in the fourth quarter of 2022. Cardinal also recognized \$9.7 million of a deferred tax reduction in the fourth quarter of 2022 due to the recognition of its deferred tax asset. Since the first quarter of 2023, production had been relatively consistent and commodity prices gradually improved throughout the year. In the second quarter of 2023, the Company recognized a gain on disposition of non-core undeveloped

land assets of \$9.9 million and recognized a deferred tax expense of \$8.6 million resulting in a deferred tax liability of \$3.3 million.

## ANNUAL DATA

	2023	2022	2021
<b>Production</b>			
Oil (bbl/d)	<b>18,248</b>	18,131	15,826
Natural gas (mcf/d)	<b>15,838</b>	14,933	14,093
NGL (bbl/d)	<b>817</b>	851	915
Oil equivalent (boe/d)	<b>21,705</b>	21,471	19,090
<b>Financial</b>			
Petroleum and natural gas revenue	<b>589,605</b>	737,590	445,069
Earnings	<b>103,598</b>	302,687	284,415
Basic per share (\$)	<b>0.66</b>	1.97	1.98
Diluted per share (\$)	<b>0.65</b>	1.92	1.84
Cash flow from operating activities	<b>230,261</b>	337,263	125,121
Adjusted funds flow <sup>(1)</sup>	<b>253,696</b>	362,783	132,507
Basic per share (\$)	<b>1.61</b>	2.36	0.92
Diluted per share (\$)	<b>1.58</b>	2.30	0.86
Dividends per share (\$)	<b>0.72</b>	0.38	-
Total assets	<b>1,187,852</b>	1,155,013	1,075,828
Bank debt	<b>44,920</b>	31,280	142,412
Secured notes	-	-	12,546
Total long-term liabilities	<b>160,649</b>	120,418	271,529
Shareholders' equity	<b>920,688</b>	925,370	719,232
Weighted average shares - basic (000's)	<b>157,690</b>	153,994	143,636
Weighted average shares - diluted (000's)	<b>160,013</b>	157,898	154,572

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

In 2021, as prices recovered from the COVID pandemic, the Company resumed its well reactivation and drilling program steadily increasing production throughout the year. In 2022 and 2023, Cardinal's successful drilling program continued to increase production. This has impacted revenue, earnings, cash flow from operating activities and adjusted funds flow which have also varied due to volatility in commodity prices.

Cardinal's earnings varied significantly due to changes in realized and unrealized gains and losses on commodity contracts, a reversal of previous impairments of \$218.3 million in 2021 and a net impairment reversal of \$46.4 million in 2022. In addition, the Company had a deferred tax recovery in 2022 of \$9.7 million and deferred tax expense of \$32.2 million in 2023.

## 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. The following table reconciles operating expenses to net operating expenses:

	Three months ended		Year ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Operating expenses	48,222	51,301	196,740	199,197
Less: Processing and other revenue	(946)	(950)	(4,131)	(4,250)
Net operating expenses	47,276	50,351	192,609	194,947

#### *Netback*

Cardinal utilizes netback as a key performance indicator 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:

	Three months ended		Year ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Petroleum and natural gas revenue	148,042	154,894	589,605	737,590
Royalties	(29,806)	(30,201)	(112,618)	(150,001)
Net operating expenses	(47,276)	(50,351)	(192,609)	(194,947)
Transportation expenses	(2,239)	(1,699)	(7,946)	(6,275)
Netback	68,721	72,643	276,432	386,367

#### *Capital expenditures and development 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 exploration and evaluation 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.

	Three months ended		Year ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Cash flow from investing activities	39,140	30,186	114,635	116,181
Change in non-cash working capital	6,482	4,722	7,518	4,051
E&E expenditures	(4,320)	-	(4,895)	-
Capital expenditures	41,302	34,908	117,258	120,232
Capitalized G&A	(364)	(495)	(1,996)	(1,949)
Other assets	(127)	(395)	(575)	(854)
Acquisitions, net	(25,290)	(1,862)	(17,720)	(2,007)
Development capital expenditures	15,521	32,156	96,967	115,422

## 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 fair value of financial instruments, current decommissioning obligation, and current lease liabilities). The following table reconciles working capital deficiency to adjusted working capital deficiency:

As at	Dec 31, 2023	Dec 31, 2022
Working capital deficiency	<b>49,077</b>	39,919
Less:		
Lease liabilities	<b>1,370</b>	1,487
Decommissioning obligation	<b>9,081</b>	8,573
Fair value of financial instruments	<b>(104)</b>	(1,533)
Adjusted working capital deficiency	<b>38,730</b>	31,392

### *Net debt*

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

The following table reconciles bank debt to net debt:

As at	Dec 31, 2023	Dec 31, 2022
Bank debt	<b>44,920</b>	31,280
Adjusted working capital deficiency	<b>38,730</b>	31,392
Net debt	<b>83,650</b>	62,672

### *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, capital expenditures and shareholder returns. 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:

	Three months ended		Year ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Cash flow from operating activities	69,305	68,685	230,261	337,263
Change in non-cash working capital	(14,308)	(5,159)	274	5,910
Funds flow	54,997	63,526	230,535	343,173
Decommissioning expenditures	8,971	4,722	23,163	19,610
Adjusted funds flow	63,968	68,248	253,698	362,783
Total development capital expenditures	(15,521)	(32,156)	(96,967)	(115,422)
Free cash flow	48,447	36,092	156,731	247,361

## 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:

	Three months ended		Year ended	
	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Petroleum and natural gas revenue	72.60	79.11	74.43	94.12
Royalties	(14.62)	(15.43)	(14.22)	(19.14)
Net operating expenses	(23.19)	(25.72)	(24.31)	(24.88)
Transportation expenses	(1.10)	(0.87)	(1.00)	(0.80)
Netback per boe	33.69	37.09	34.90	49.30

### *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 year.

### *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, capital expenditures, and shareholder returns 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, capital expenditures, and shareholder returns 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, capital expenditures, and shareholder returns 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 including Cardinal's targeted debt amounts throughout 2024;
- 2024 capital expenditure plans;
- anticipated costs, timing and production capacity of Cardinal's proposed thermal oil project in Saskatchewan;
- Cardinal's business strategy, goals and management focus;
- Cardinal's dividend and NCIB 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;
- Plans to monitor spot and forward prices and capital expenditure plans as part of Cardinal's risk management strategy;
- sources of funds for the Company's operations, capital expenditures, decommissioning obligations, and dividend payments;
- 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;
- Cardinal's outlook for 2024 and beyond including our 2024 budget, the funding of ongoing returns to shareholders, our Reford project and future adjusted cash flow; 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 including 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 availability and cost of labor and services, the impact of increasing competition, no changes the scope or development of Cardinal's planned SAGD project, the impact of cost increases as a result of inflationary pressures, or otherwise, 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; 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; increases to non-fixed costs related to Cardinal's SAGD project; 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 therefrom. 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 2021, 2022 and 2023 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	
Q4/23	50%	34%	4%	12%	22,164
Q3/23	45%	39%	4%	12%	21,872
Q2/23	45%	39%	3%	13%	21,047
Q1/23	48%	36%	4%	12%	21,726
Q4/22	49%	35%	4%	12%	21,281
Q3/22	49%	35%	4%	12%	21,715
Q2/22	49%	35%	4%	12%	22,280
Q1/22	52%	33%	4%	11%	20,596
2023	49%	34%	4%	12%	21,705
2022	50%	34%	4%	12%	21,471
2021	54%	29%	5%	12%	19,090
Acquired assets	35%	55%	4%	6%	900
Disposed assets	91%	-	-	9%	200
Wildfire impact	88%	-	9%	3%	170

### 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