



**CARDINAL**  
ENERGY LTD.

# **Q1 2024**

## **FINANCIAL STATEMENTS**

## CONDENSED INTERIM BALANCE SHEET

<b>As at,</b> <i>(Unaudited, thousands)</i>	<i>Note</i>	<b>March 31, 2024</b>	December 31, 2023
<b>ASSETS</b>			
Current assets			
Trade and other receivables		\$ 65,638	\$ 53,242
Deposits and prepaid expenses		3,731	4,092
Fair value of financial instruments		-	104
		<b>69,369</b>	57,438
Non-current assets			
Exploration and evaluation assets	3	31,500	15,322
Property, plant and equipment	4	1,126,854	1,115,092
<b>Total Assets</b>		<b>\$ 1,227,723</b>	<b>\$ 1,187,852</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade and other payables		\$ 92,237	\$ 86,063
Dividends payable	9	10,062	10,001
Lease liabilities	6	1,499	1,370
Fair value of financial instruments	12	822	-
Decommissioning obligation	7	7,046	9,081
		<b>111,666</b>	106,515
Non-current liabilities			
Lease liabilities	6	3,908	3,812
Bank debt	5	86,786	44,920
Deferred tax		27,391	22,615
Decommissioning obligation	7	92,649	89,302
		<b>210,734</b>	160,649
<b>Total Liabilities</b>		<b>322,400</b>	267,164
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	1,114,300	1,114,300
Treasury shares	8	(3,662)	(10,521)
Contributed surplus		6,296	16,236
Deficit		(211,611)	(199,327)
<b>Total Shareholders' Equity</b>		<b>905,323</b>	920,688
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 1,227,723</b>	<b>\$ 1,187,852</b>
Contractual obligations	13		

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

## CONDENSED INTERIM STATEMENT OF EARNINGS AND COMPREHENSIVE EARNINGS

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

*(Unaudited, thousands except per share amounts)*

	<i>Note</i>		<b>2024</b>		2023
<b>Revenue</b>					
Petroleum and natural gas revenue	11	\$	<b>140,226</b>	\$	134,977
Royalties			<b>(25,788)</b>		(25,742)
Realized gain on commodity contracts	12		<b>119</b>		1,510
Unrealized loss on commodity contracts	12		<b>(926)</b>		(1,533)
Processing and other revenue	11		<b>1,025</b>		1,177
			<b>114,656</b>		110,389
<b>Expenses</b>					
Operating			<b>52,689</b>		50,841
Transportation			<b>2,179</b>		1,773
General and administrative			<b>5,730</b>		5,656
Share-based compensation	10		<b>2,285</b>		2,180
Finance			<b>4,413</b>		3,495
Depletion and depreciation	4		<b>25,372</b>		24,993
			<b>92,668</b>		88,938
Earnings before deferred tax			<b>21,988</b>		21,451
Deferred tax expense			<b>5,237</b>		5,130
Earnings and comprehensive earnings		\$	<b>16,751</b>	\$	16,321
<b>Earnings per share</b>					
	8				
- Basic		\$	<b>0.11</b>	\$	0.10
- Diluted		\$	<b>0.10</b>	\$	0.10

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

## CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Unaudited, thousands except number of common shares)</i>	Common Shares, net of treasury shares	Share Capital <i>(note 8)</i>	Treasury Shares <i>(note 8)</i>	Contributed Surplus <i>(note 10)</i>	Deficit	Total Shareholders' Equity
<b>As at January 1, 2023</b>	155,756,621	\$ 1,104,304	\$ (16,972)	\$ 25,156	\$ (187,118)	\$ 925,370
Settlement of RA <sup>(1)</sup> and PA <sup>(2)</sup>	1,372,179	-	9,243	(17,643)	-	(8,400)
Share-based compensation	-	-	-	2,467	-	2,467
Tax adjustment on excess value of RA <sup>(1)</sup> and PA <sup>(2)</sup>	-	-	-	1,298	-	1,298
Dividends (\$0.18 per share)	-	-	-	-	(28,742)	(28,742)
Earnings for the period	-	-	-	-	16,321	16,321
<b>As at March 31, 2023</b>	<b>157,128,800</b>	<b>\$ 1,104,304</b>	<b>\$ (7,729)</b>	<b>\$ 11,278</b>	<b>\$ (199,539)</b>	<b>\$ 908,314</b>
<b>As at January 1, 2024</b>	158,095,048	\$ 1,114,300	\$ (10,521)	\$ 16,236	\$ (199,327)	\$ 920,688
Settlement of RA <sup>(1)</sup> and PA <sup>(2)</sup>	1,006,345	-	6,859	(13,032)	-	(6,173)
Share-based compensation	-	-	-	2,631	-	2,631
Tax adjustment on excess value of RA <sup>(1)</sup> and PA <sup>(2)</sup>	-	-	-	461	-	461
Dividends (\$0.18 per share)	-	-	-	-	(29,035)	(29,035)
Earnings for the period	-	-	-	-	16,751	16,751
<b>As at March 31, 2024</b>	<b>159,101,393</b>	<b>\$ 1,114,300</b>	<b>\$ (3,662)</b>	<b>\$ 6,296</b>	<b>\$ (211,611)</b>	<b>\$ 905,323</b>

<sup>(1)</sup> Restricted Bonus Award ("RA")

<sup>(2)</sup> Performance Bonus Award ("PA")

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

## CONDENSED INTERIM STATEMENT OF CASH FLOWS

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

*(Unaudited, thousands)*

	<i>Note</i>	<b>2024</b>	2023
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Earnings for the period	\$	<b>16,751</b>	\$ 16,321
Adjustments for			
Share-based compensation	10	<b>2,285</b>	2,180
Depletion and depreciation	4	<b>25,372</b>	24,993
Unrealized loss on commodity contracts	12	<b>926</b>	1,533
Deferred tax expense		<b>5,237</b>	5,130
Accretion	6,7	<b>2,235</b>	2,153
Decommissioning expenditures	7	<b>(4,305)</b>	(4,759)
Change in non-cash working capital		<b>(9,137)</b>	(6,462)
		<b>39,364</b>	41,089
<b>Investing activities</b>			
Exploration and evaluation	3	<b>(16,068)</b>	-
Property, plant and equipment expenditures	4	<b>(32,942)</b>	(24,455)
Property acquisitions		-	(1,511)
Property dispositions		-	639
Change in non-cash working capital		<b>3,173</b>	(735)
		<b>(45,837)</b>	(26,062)
<b>Financing activities</b>			
Dividends	9	<b>(28,974)</b>	(28,700)
Repayment of lease liabilities	6	<b>(349)</b>	(443)
Purchase of common shares for RA and PA settlements and withholding tax	10	<b>(6,173)</b>	(8,400)
Increase in bank debt	5	<b>41,866</b>	14,040
Change in non-cash working capital		<b>103</b>	8,476
		<b>6,473</b>	(15,027)
Change in cash and cash equivalents		-	-
Cash and cash equivalents, beginning of period		-	-
Cash and cash equivalents, end of period	\$	-	\$ -

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

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2024 and 2023

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

### 1 REPORTING ENTITY

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

### 2 BASIS OF PREPARATION

#### Statement of Compliance

These condensed interim financial statements ("financial statements") have been prepared in accordance with statement IAS 34 – Interim Financial Reporting of the IFRS Accounting Standards. 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, 2023 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, 2023.

The financial statements were authorized for issue by the Board of Directors on May 9, 2024.

#### 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 "E&E"

Cardinal's exploration and evaluation assets consist of undeveloped land and exploration projects which are pending technical feasibility and commercial viability.

	Three months ended		Year ended
	March 31, 2024		December 31, 2023
Balance, beginning of period	\$	15,322	\$ -
Additions		16,169	5,060
Acquisitions		-	10,201
Changes in decommissioning obligation		9	61
<b>Balance, end of period</b>	<b>\$</b>	<b>31,500</b>	<b>\$ 15,322</b>

Included in E&E costs for the first quarter of 2024 are final engineering and design of the central processing facility ("CPF") and the commencement of fabricating the CPF modular components. The Company also acquired additional acreage in the area during the first quarter.

For the three months ended March 31, 2024, Cardinal capitalized \$0.3 million (2023 - \$0.4 million) of general and administrative and share-based compensation expenses within E&E.

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 Cardinal common shares valued at \$7.35 per share.

At March 31, 2024 and December 31, 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
<b>Cost</b>				
As at January 1, 2023	\$ 1,862,216	\$ 7,655	\$ 5,331	\$ 1,875,202
Additions	100,607	2,621	575	103,803
Acquisitions	37,902	-	-	37,902
Dispositions	(32,548)	(3,867)	-	(36,415)
Changes in decommissioning obligation	18,711	-	-	18,711
As at December 31, 2023	1,986,888	6,409	5,906	1,999,203
Additions	33,475	562	(95)	33,942
Dispositions	-	(355)	-	(355)
Changes in decommissioning obligation	3,211	-	-	3,211
<b>At March 31, 2024</b>	<b>\$ 2,023,574</b>	<b>\$ 6,616</b>	<b>\$ 5,811</b>	<b>\$ 2,036,001</b>
<b>Accumulated depletion and depreciation</b>				
As at January 1, 2023	\$ (792,111)	\$ (3,507)	\$ (3,643)	\$ (799,261)
Depletion and depreciation	(101,205)	(1,679)	(620)	(103,504)
Disposition	14,896	3,758	-	18,654
As at December 31, 2023	(878,420)	(1,428)	(4,263)	(884,111)
Depletion and depreciation	(24,812)	(412)	(148)	(25,372)
Dispositions	-	336	-	336
<b>At March 31, 2024</b>	<b>\$ (903,232)</b>	<b>\$ (1,504)</b>	<b>\$ (4,411)</b>	<b>\$ (909,147)</b>
<b>Net book value</b>				
At December 31, 2023	\$ 1,108,468	\$ 4,981	\$ 1,643	\$ 1,115,092
<b>At March 31, 2024</b>	<b>\$ 1,120,342</b>	<b>\$ 5,112</b>	<b>\$ 1,400</b>	<b>\$ 1,126,854</b>

The calculation of depletion for the three months ended March 31, 2024 includes forecasted future development costs of \$264.1 million (December 31, 2023 - \$272.8 million) associated with the development of the Company's proved and probable oil and gas reserves.

For the three months ended March 31, 2024, Cardinal capitalized \$0.7 million of general and administrative expenses (2023 - \$0.8 million) and \$0.2 million (2023 - \$0.3 million) of share-based compensation, within property, plant and equipment.

### Impairment

At March 31, 2024 and December 31, 2023, there were no indicators of impairment for oil and gas properties 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 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.

Letters of credit for \$1.7 million were outstanding at March 31, 2024 (2023 – \$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 March 31, 2024. For the three months ended March 31, 2024 the effective interest rate on the Company's bank debt was 8.4% (2023 – 7.9%).

## 6 LEASE LIABILITIES

	Three months ended		Year ended
	March 31, 2024		December 31, 2023
Balance, beginning of period	\$	5,182	\$ 4,490
Additions		562	2,621
Dispositions		(21)	(110)
Accretion		33	144
Finance cost		65	184
Lease payments		(414)	(2,147)
<b>Balance, end of period</b>	<b>\$</b>	<b>5,407</b>	<b>\$ 5,182</b>

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

	As at		As at
	March 31, 2024		December 31, 2023
Less than 1 year	\$	1,839	\$ 1,702
1 - 3 years		2,555	2,595
4 - 5 years		980	858
Thereafter		900	901
Total undiscounted future lease payments		6,274	6,056
Amounts representing financing		(867)	(874)
Present value of net lease payments		5,407	5,182
Less current portion of lease liabilities		(1,499)	(1,370)
<b>Non-current portion of lease liabilities</b>	<b>\$</b>	<b>3,908</b>	<b>\$ 3,812</b>

The Company has lease liabilities for contracts related to office space, vehicles, and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Discount rates during the three months ended March 31, 2024 were between 6% and 9% (2023 – between 6% and 9%), depending on the duration of the lease term.



## 7 DECOMMISSIONING OBLIGATION

	Three months ended		Year ended
	March 31, 2024	December 31, 2023	December 31, 2023
Balance, beginning of period	\$ 98,383	\$ 94,708	
Liabilities incurred	195	570	
Liabilities acquired	-	8,812	
Liabilities disposed	-	(9,109)	
Change in estimates	3,220	18,772	
Decommissioning expenditures	(4,305)	(23,163)	
Accretion	2,202	7,793	
<b>Balance, end of period</b>	<b>\$ 99,695</b>	<b>\$ 98,383</b>	

The Company's decommissioning obligation results from its ownership interest in crude oil and natural gas assets including well sites and facilities. At March 31, 2024, the total estimated amount to settle Cardinal's decommissioning obligation was \$399.6 million (December 31, 2023 - \$403.3 million) on an uninflated and undiscounted basis and \$709.1 million (December 31, 2023 - \$659.2 million) on an inflated and undiscounted basis.

The decommissioning obligation was determined by applying an inflation factor of 1.86% (2023 – 1.62%) and discounting the inflated amount using Cardinal's credit-adjusted rate of 9.0% (2023 – 9.0%). The majority of the costs are expected to be incurred over the next 50 years. The \$3.2 million change in estimates for the three months ended March 31, 2024 is a result of the change in the inflation rate.

## 8 SHARE CAPITAL

At March 31, 2024, the Company was authorized to issue an unlimited number of common voting shares without nominal or par value. Holders of common shares are entitled to one vote per share.

### Treasury Shares

RAs and PAs may be settled in cash, common shares issued from treasury or common shares acquired by an independent trustee in the open market for such purposes. During the three months ended March 31, 2024, the trustee did not purchase any common shares (2023 – nil) for the settlement of future vesting RAs and PAs.

During the three months ended March 31, 2024, the Company utilized 1,006,345 (2023 – 1,372,179) treasury shares to settle vesting RAs and PAs. As at March 31, 2024, 537,306 (December 31, 2023 – 1,543,651) common shares remained classified as treasury shares to be potentially used for future settlements.

### Earnings per share

For the three months ended March 31,	2024	2023
Earnings for the period	\$ 16,751	\$ 16,321
Earnings per share		
- Basic	\$ 0.11	\$ 0.10
- Diluted	\$ 0.10	\$ 0.10
Weighted average number of common shares		
- Basic	158,165,946	155,837,700
- Diluted	160,513,540	159,586,711

The weighted average number of common shares is adjusted for treasury shares purchased and held by the trustee. For the three months ended March 31, 2024, 86,848 RAs (2023 – 15,835) and 80,004 PAs (2023 – nil) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

## 9 DIVIDENDS

During the three months ended March 31, 2024, \$29.0 million (\$0.18 per common share) (2023 – \$28.7 million) of dividends were declared, of which \$19.0 million (2023 - \$18.6 million) was paid in cash and \$10.1 million (2023 – \$10.1 million) was recognized as a liability at March 31, 2024. The dividend payable was settled on April 15, 2024. In the first quarter of 2024, the Company also paid dividends of \$10.0 million which was recognized as a liability at December 31, 2023.

## 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 \$7.08 per common share (2023 - \$7.26) during the three months ended March 31, 2024.

### Bonus Awards

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

	Number of PAs	Number of RAs
As at January 1, 2023	1,327,923	2,359,191
Granted	500,388	1,039,490
Settled	(738,723)	(1,272,915)
Forfeited	(46,329)	(271,226)
Expired	-	(10,161)
As at December 31, 2023	1,043,259	1,844,379
Granted	485,355	866,137
Settled	(597,313)	(881,232)
Forfeited	-	(19,808)
<b>As at March 31, 2024</b>	<b>931,301</b>	<b>1,809,476</b>

For the three months ended March 31, 2024, upon the vesting of 881,232 (2023 – 1,218,329) RAs and 597,313 (2023 – 738,723) PAs, when taking into account the performance multiplier for PAs, the Company issued 1,006,345 (2023 – 1,372,179) treasury shares and made payments totalling \$6.2 million (2023 - \$8.4 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 \$6.86 (2023 – \$6.72) and PAs granted was \$6.90 (2023 – \$6.70).

### Share-based Compensation

Share-based compensation for the three months ended March 31, 2024 of \$2.3 million (2023 - \$2.2 million) was expensed and \$0.3 million (2023 - \$0.3 million) 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:

For the three months ended March 31,	2024		2023	
Crude oil	\$	133,514	\$	126,811
NGL		3,085		3,200
Natural gas		3,627		4,966
<b>Petroleum and natural gas revenue</b>	<b>\$</b>	<b>140,226</b>	<b>\$</b>	<b>134,977</b>
<b>Processing and other revenue</b>	<b>\$</b>	<b>1,025</b>	<b>\$</b>	<b>1,177</b>

Included in accounts receivable at March 31, 2024 is \$52.3 million (December 31, 2023 - \$39.6 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 number 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 March 31, 2024 and 2023, 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 March 31, 2024 the Company had the following commodity financial derivative contracts outstanding.

Type of Instrument	Remaining Term	Average Quantity	Average Strike Price	Fair Value
USD WCS Basis Swap	April 2024 – June 2024	2,000 bbl/d	USD \$ (14.00)	(160)
USD WCS Basis Swap	May 2024 – June 2024	2,000 bbl/d	USD \$ (12.00)	26
USD WCS Basis Swap	July 2024 – September 2024	6,000 bbl/d	USD \$ (12.13)	(736)
USD WCS Basis Swap	October 2024 – December 2024	2,000 bbl/d	USD \$ (14.00)	48
				<u>(822)</u>

*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 on its financial liabilities as at March 31, 2024.

## 13 CONTRACTUAL OBLIGATIONS

As at March 31, 2024, the Company had contractual obligations as follows:

	2024	2025	2026	2027	2028	Thereafter
Trade and other payables	\$ 92,237	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend payable	10,062	-	-	-	-	-
Lease liabilities	1,431	1,818	1,120	503	490	912
Bank debt <sup>(1)</sup>	-	86,786	-	-	-	-
Thermal facility construction and engineering	45,520	58,170	-	-	-	-
Power purchase commitment <sup>(2)</sup>	10,231	11,904	11,904	11,904	-	-
<b>Total contractual obligations</b>	<b>\$ 159,481</b>	<b>\$ 158,678</b>	<b>\$ 13,024</b>	<b>\$ 12,407</b>	<b>\$ 490</b>	<b>\$ 912</b>

<sup>(1)</sup> Amount excludes interest.

<sup>(2)</sup> Amounts represent the portion of the Company's power cost that has been fixed.