



CARDINAL
ENERGY LTD.

Q2 2024
FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEET

As at, (Unaudited, CA\$ thousands)	Note	June 30, 2024	December 31, 2023
ASSETS			
Current assets			
Trade and other receivables		\$ 68,908	\$ 53,242
Deposits and prepaid expenses		6,026	4,092
Fair value of financial instruments	12	2,077	104
		77,011	57,438
Non-current assets			
Exploration and evaluation assets	3	42,474	15,322
Property, plant and equipment	4	1,119,160	1,115,092
Total assets		\$ 1,238,645	\$ 1,187,852
LIABILITIES			
Current liabilities			
Trade and other payables		\$ 86,219	\$ 86,063
Dividends payable	9	10,028	10,001
Lease liabilities	6	1,595	1,370
Decommissioning obligation	7	7,857	9,081
		105,699	106,515
Non-current liabilities			
Lease liabilities	6	3,653	3,812
Bank debt	5	77,904	44,920
Deferred tax		40,173	22,615
Decommissioning obligation	7	91,810	89,302
		213,540	160,649
Total liabilities		319,239	267,164
SHAREHOLDERS' EQUITY			
Share capital	8	1,114,775	1,114,300
Treasury shares	8	(3,650)	(10,521)
Contributed surplus		8,358	16,236
Deficit		(200,077)	(199,327)
Total shareholders' equity		919,406	920,688
Total liabilities and shareholders' equity		\$ 1,238,645	\$ 1,187,852
Contractual obligations	13		

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

CONDENSED INTERIM STATEMENT OF EARNINGS AND COMPREHENSIVE EARNINGS

(Unaudited, CA\$ thousands except per share amounts)	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Revenue					
Petroleum and natural gas revenue	11	\$ 169,353	\$ 137,053	\$ 309,579	\$ 272,030
Royalties		(31,213)	(25,567)	(57,001)	(51,309)
Realized (loss) gain on commodity contracts	12	(38)	-	81	1,510
Unrealized gain (loss) on commodity contracts	12	2,899	(448)	1,973	(1,981)
Processing and other revenue	11	1,785	1,095	2,810	2,272
Other income	11	2,000	-	2,000	-
		144,786	112,133	259,442	222,522
Expenses					
Operating		49,939	48,273	102,628	99,114
Transportation		2,340	2,047	4,519	3,820
General and administrative		5,424	4,509	11,154	10,165
Share-based compensation	10	2,239	2,038	4,524	4,218
Finance		4,619	3,506	9,032	7,001
Depletion and depreciation	4	26,890	25,391	52,262	50,384
Gain on dispositions		-	(9,902)	-	(9,902)
		91,451	75,862	184,119	164,800
Earnings before deferred tax		53,335	36,271	75,323	57,722
Deferred tax expense		12,685	8,552	17,922	13,682
Earnings and comprehensive earnings		\$ 40,650	\$ 27,719	\$ 57,401	\$ 44,040
Earnings per share					
Basic	8	\$ 0.26	\$ 0.18	\$ 0.36	\$ 0.28
Diluted		\$ 0.25	\$ 0.17	\$ 0.36	\$ 0.28

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

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Unaudited, CA\$ thousands except for number of common shares)</i>	Common Shares, net of treasury shares	Share Capital	Treasury Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
		<i>(note 8)</i>	<i>(note 8)</i>	<i>(note 10)</i>		
As at January 1, 2023	155,756,621	\$ 1,104,304	\$ (16,972)	\$ 25,156	\$ (187,118)	\$ 925,370
Issue of common shares	1,362,397	10,014	-	-	-	10,014
Settlement of RA ⁽¹⁾ and PA ⁽²⁾	1,394,034	-	9,390	(17,913)	-	(8,523)
Share-based compensation	-	-	-	4,803	-	4,803
Tax adjustment on excess value of RA ⁽¹⁾ and PA ⁽²⁾	-	-	-	592	-	592
Dividends (\$0.36 per share)	-	-	-	-	(57,800)	(57,800)
Share issue costs, net of deferred tax of \$6	-	(18)	-	-	-	(18)
Earnings for the period	-	-	-	-	44,040	44,040
As at June 30, 2023	158,513,052	\$ 1,114,300	\$ (7,582)	\$ 12,638	\$ (200,878)	\$ 918,478
As at January 1, 2024	158,095,048	\$ 1,114,300	\$ (10,521)	\$ 16,236	\$ (199,327)	\$ 920,688
Settlement of RA ⁽¹⁾ and PA ⁽²⁾	1,082,600	475	6,871	(13,529)	-	(6,183)
Share-based compensation	-	-	-	5,287	-	5,287
Tax adjustment on excess value of RA ⁽¹⁾ and PA ⁽²⁾	-	-	-	364	-	364
Dividends (\$0.36 per share)	-	-	-	-	(58,151)	(58,151)
Earnings for the period	-	-	-	-	57,401	57,401
As at June 30, 2024	159,177,648	\$ 1,114,775	\$ (3,650)	\$ 8,358	\$ (200,077)	\$ 919,406

⁽¹⁾ Restricted Bonus Award ("RA")

⁽²⁾ Performance Bonus Award ("PA")

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS

<i>(Unaudited, CA\$ thousands)</i>	Note	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
Cash provided by (used in)					
Operating activities					
Earnings for the period		\$ 40,650	\$ 27,719	\$ 57,401	\$ 44,040
Adjustments for:					
Share-based compensation	10	2,239	2,038	4,524	4,218
Depletion and depreciation	4	26,890	25,391	52,262	50,384
Unrealized (gain) loss on commodity contracts	12	(2,899)	448	(1,973)	1,981
Deferred tax expense		12,685	8,552	17,922	13,682
Accretion	6,7	2,262	1,944	4,497	4,097
Gain on dispositions		-	(9,902)	-	(9,902)
Decommissioning expenditures	7	(1,460)	(4,072)	(5,765)	(8,831)
Change in non-cash working capital		(8,904)	9,102	(18,041)	2,640
		71,463	61,220	110,827	102,309
Investing activities					
Exploration and evaluation expenditures	3	(10,814)	(358)	(26,882)	(358)
Property, plant and equipment expenditures	4	(19,517)	(30,357)	(52,459)	(54,812)
Property acquisitions		-	-	-	(1,511)
Property dispositions		-	10,000	-	10,639
Change in non-cash working capital		(2,176)	(10,110)	997	(10,845)
		(32,507)	(30,825)	(78,344)	(56,887)
Financing activities					
Dividends	9	(29,150)	(29,070)	(58,124)	(57,770)
Repayment of lease liabilities	6	(410)	(434)	(759)	(877)
Share issue costs		-	(24)	-	(24)
Purchase of common shares for RA and PA settlements and withholding tax	8	(10)	(123)	(6,183)	(8,523)
Increase (decrease) in bank debt	5	(8,882)	7,838	32,984	21,878
Change in non-cash working capital		(504)	(8,582)	(401)	(106)
		(38,956)	(30,395)	(32,483)	(45,422)
Change in cash and cash equivalents		-	-	-	-
Cash and cash equivalents, beginning of period		-	-	-	-
Cash and cash equivalents, end of period		\$ -	\$ -	\$ -	\$ -

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

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

As at June 30, 2024 and for the three and six months ended June 30, 2024 and 2023

(Unaudited, CA\$ 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 – 3rd Avenue SW, Calgary, Alberta, Canada, T2P 4H2.

2 BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements ("financial statements") have been prepared in accordance with statement IAS 34 – Interim Financial Reporting of the IFRS Accounting Standards. The financial statements were prepared using the same accounting policies, critical judgements 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 August 1, 2024.

Use of Estimates and Judgements

The timely preparation of financial statements requires management to make judgements, 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 E&E consist of undeveloped land and exploration projects which are pending technical feasibility and commercial viability.

	Six months ended		Year ended
	June 30, 2024		December 31, 2023
Balance, beginning of period	\$	15,322	\$ -
Additions		27,125	5,060
Acquisitions		-	10,201
Changes in decommissioning obligation		27	61
Balance, end of period	\$	42,474	\$ 15,322

Included in E&E costs for the six months ended June 30, 2024 are final engineering and design of a central processing facility ("CPF") and commencement of fabricating the CPF modular components related to the SAGD exploration project. The Company also acquired additional acreage in the area during the first quarter of 2024.

For the six months ended June 30, 2024, Cardinal capitalized \$0.7 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 June 30, 2024 and December 31, 2023, there were no indicators of impairment for the Company's E&E.

4 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Right-of-use assets	Corporate assets	Total
Cost				
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	52,830	781	349	53,960
Dispositions	-	(420)	-	(420)
Changes in decommissioning obligation	2,388	-	-	2,388
As at June 30, 2024	\$ 2,042,106	\$ 6,770	\$ 6,255	\$ 2,055,131
Accumulated depletion and depreciation				
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	(51,117)	(837)	(308)	(52,262)
Disposition	-	402	-	402
As at June 30, 2024	\$ (929,537)	\$ (1,863)	\$ (4,571)	\$ (935,971)
Net book value				
As at December 31, 2023	\$ 1,108,468	\$ 4,981	\$ 1,643	\$ 1,115,092
As at June 30, 2024	\$ 1,112,569	\$ 4,907	\$ 1,684	\$ 1,119,160

The calculation of depletion for the six months ended June 30, 2024 includes forecasted future development costs of \$262.9 million (December 31, 2023 – \$272.8 million) associated with the development of the Company's proved and probable oil and gas reserves.

For the six months ended June 30, 2024, Cardinal capitalized \$1.0 million of general and administrative expenses (2023 – \$2.3 million) and \$0.5 million (2023 – \$1.2 million) of share-based compensation, within property, plant and equipment.

Impairment

At June 30, 2024 and December 31, 2023, there were no indicators of impairment for any of the Company's petroleum and natural gas cash generating units ("CGUs").

5 BANK DEBT

The Company's reserves-based revolving credit facility of \$200.0 million is comprised of a \$175.0 million syndicated term credit facility and a \$25.0 million non-syndicated operating line credit facility (the "Facilities"). The Facilities are available on a revolving basis until May 31, 2025 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, 2026.

The available lending limits of the Facilities are reviewed semi-annually based on the syndicate's interpretation of the Company's reserves, future commodity prices and costs. As the available lending limit of the Facilities is based on the syndicate's interpretation of the Company's reserves and future commodity prices and costs, there can be no assurance that the amount of the Facilities will not decrease at the next scheduled review. On a redetermination date, lenders could reduce the borrowing base to below amounts drawn, in which case, any short fall would have to be repaid within 60 days. The next scheduled review date will be on or before November 30, 2024.

Advances under the Facilities are available by way of prime rate loans, which bear interest at the banks' prime lending rate plus 2.00% to 5.25%, and CORRA and/or SOFR loans, which are subject to fees and margins ranging from 3.00% 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 \$1.9 million were outstanding at June 30, 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 June 30, 2024. For the six months ended June 30, 2024 the effective interest rate on the Company's bank debt was 8.3% (2023 – 7.9%).

6 LEASE LIABILITIES

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of period	\$ 5,182	\$ 4,490
Additions	781	2,621
Dispositions	(21)	(110)
Accretion	65	144
Finance cost	131	184
Lease payments	(890)	(2,147)
Balance, end of period	\$ 5,248	\$ 5,182

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

	As at June 30, 2024	As at December 31, 2023
Less than 1 year	\$ 1,920	\$ 1,702
1 – 3 years	2,371	2,595
4 – 5 years	967	858
Thereafter	789	901
Total undiscounted future lease payments	6,047	6,056
Amounts representing financing	(799)	(874)
Present value of net lease payments	5,248	5,182
Less: current portion of lease liabilities	(1,595)	(1,370)
Non-current portion of lease liabilities	\$ 3,653	\$ 3,812

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 six months ended June 30, 2024 were between 6% and 9% (2023 – between 6% and 9%), depending on the duration of the lease term.

7 DECOMMISSIONING OBLIGATION

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of period	\$ 98,383	\$ 94,708
Liabilities incurred	202	570
Liabilities acquired	-	8,812
Liabilities disposed	-	(9,109)
Change in estimates	2,415	18,772
Decommissioning expenditures	(5,765)	(23,163)
Accretion	4,432	7,793
Balance, end of period	\$ 99,667	\$ 98,383

The Company's decommissioning obligation results from its ownership interest in petroleum and natural gas assets including well sites and facilities. At June 30, 2024, the total estimated amount to settle Cardinal's decommissioning obligation was \$398.2 million (December 31, 2023 – \$403.3 million) on an uninflated and undiscounted basis and \$694.0 million (December 31, 2023 – \$659.2 million) on an inflated and undiscounted basis.

The decommissioning obligation was determined by applying an inflation factor of 1.80% (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 \$2.4 million change in estimates for the six months ended June 30, 2024 is a result of the change in the inflation rate.

8 SHARE CAPITAL

At June 30, 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 six months ended June 30, 2024, the trustee did not purchase any common shares (2023 – nil) for the settlement of future vesting RAs and PAs.

During the six months ended June 30, 2024, the Company utilized 1,008,133 (2023 – 1,394,034) treasury shares and issued 74,467 (2023 – nil) common shares to settle vesting RAs and PAs. As at June 30, 2024, 535,518 (December 31, 2023 – 1,543,651) common shares remained classified as treasury shares to be potentially used for future settlements.

Earnings per share

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Earnings for the period	\$ 40,650	\$ 27,719	\$ 57,401	\$ 44,040
Earnings per share				
Basic	\$ 0.26	\$ 0.18	\$ 0.36	\$ 0.28
Diluted	\$ 0.25	\$ 0.17	\$ 0.36	\$ 0.28
Weighted average number of common shares				
Basic	159,116,932	158,362,648	158,641,439	157,107,149
Diluted	160,148,940	160,057,654	160,271,944	159,797,894

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

For the three months ended June 30, 2024, 5,268 RAs (2023 – 14,370) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

For the six months ended June 30, 2024, 3,295 RAs (2023 – 4,359) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

9 DIVIDENDS

During the three months ended June 30, 2024, \$29.1 million (\$0.18 per common share) (2023 – \$29.1 million) of dividends were declared, of which \$19.1 million (2023 – \$19.1 million) was paid in cash and \$10.0 million (2023 – \$10.0 million) was recognized as a liability at June 30, 2024. The dividend payable was settled on July 15, 2024. In the second quarter of 2024, the Company also paid dividends of \$10.1 million which was recognized as a liability at March 31, 2024.

During the six months ended June 30, 2024, \$58.2 million (\$0.36 per common share) (2023 – \$57.8 million) of dividends were declared, of which \$48.1 million (2023 – \$47.8 million) was paid in cash and \$10.0 million (2023 – \$10.0 million) was recognized as a liability at June 30, 2024. In the six months ended June 30, 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 \$6.75 per common share (2023 – \$7.15) during the six months ended June 30, 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 15th of the third year following the year in which the award was granted. In the case of PAs, the award value is adjusted for a payout multiplier which can range from 0.0 to 2.0 and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period. Awards are adjusted for dividends declared, either with a cash payment or incremental common shares, and are to be settled with either cash, common shares or a combination thereof at the Company's discretion.

	Number of PAs	Number of RAs
As at January 1, 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	975,754
Settled	(597,313)	(958,891)
Forfeited	-	(97,832)
As at June 30, 2024	931,301	1,763,410

For the six months ended June 30, 2024, upon the vesting of 958,891 (2023 – 1,258,007) RAs and 597,313 (2023 – 738,723) PAs, when taking into account the performance multiplier for PAs, the Company issued 1,008,133 (2023 – 1,394,034) treasury shares and 74,467 (2023 – nil) common shares and made payments totalling \$6.2 million (2023 – \$8.5 million) for withholding taxes.

The fair value of the granted awards was determined based on the value of the Company's common shares at each grant date. For the six months ended June 30, 2024, the weighted average market price of the Company's common shares used to value the RAs granted was \$6.85 (2023 – \$6.72) and PAs granted was \$6.90 (2023 – \$6.70).

Share-based Compensation

For the three and six months ended June 30, 2024, \$2.2 million (2023 – \$2.0 million) and \$4.5 million (2023 – \$4.2 million), respectively, of share-based compensation was expensed and \$0.4 million (2023 – \$0.3 million) and \$0.8 million (2023 – \$0.6 million), respectively, was capitalized.

11 REVENUE

Cardinal sells its production pursuant to variable-priced contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. Under its contracts, the Company is required to deliver fixed or variable volumes of crude oil, natural gas and natural gas liquids to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable consideration is considered constrained.

Crude oil, natural gas and natural gas liquids are sold under contracts of varying price and volume terms of up to one year. Revenues are typically collected on the 25th day of the month following production.

Other income for the second quarter of 2024 includes insurance proceeds of \$2.0 million related to a business interruption claim from the 2023 Alberta wildfires.

The following table details the Company's petroleum and natural gas sales by product, and processing and other revenue generated by processing third-party volume at facilities where the Company has an ownership interest:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Crude oil	\$ 164,796	\$ 131,209	\$ 298,310	\$ 258,021
NGL	2,913	2,162	5,998	5,361
Natural gas	1,644	3,682	5,271	8,648
Petroleum and natural gas revenue	\$ 169,353	\$ 137,053	\$ 309,579	\$ 272,030
Processing and other revenue	\$ 1,785	\$ 1,095	\$ 2,810	\$ 2,272

Included in accounts receivable at June 30, 2024 is \$55.1 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 June 30, 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, 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 June 30, 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	July 2024 – September 2024	6,000 bbl/d	USD \$ (12.13)	\$ 1,343
USD WCS Basis Swap	October 2024 – December 2024	2,000 bbl/d	USD \$ (14.00)	734
				<u>\$ 2,077</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 2026. 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 June 30, 2024.

13 CONTRACTUAL OBLIGATIONS

At June 30, 2024, the Company had contractual obligations as follows:

	2024	2025	2026	2027	2028	Thereafter
Trade and other payables	\$ 86,219	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend payable	10,028	-	-	-	-	-
Lease liabilities	1,008	1,901	1,204	532	490	912
Bank debt ⁽¹⁾	-	-	77,904	-	-	-
Thermal facility construction and engineering	30,170	56,380	-	-	-	-
Power purchase commitment ⁽²⁾	6,726	11,904	11,904	11,904	-	-
Total contractual obligations	\$ 134,151	\$ 70,185	\$ 91,012	\$ 12,436	\$ 490	\$ 912

⁽¹⁾ Amount excludes interest.

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