CARDINAL ENERGY LTD.

Q1 2024

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 ended March 31, 2024 and is dated May 9, 2024. This MD&A should be read in conjunction with Cardinal's unaudited interim condensed financial statements as at and for the three months ended March 31, 2024 and the audited financial statements as at and for the year ended December 31, 2023. Financial data presented has been prepared in accordance with International Accounting Standards ("IFRS" or, alternatively, "GAAP"), unless otherwise indicated. Certain prior period amounts have been reclassified to conform to current period presentation. Additional information relating to Cardinal, including Cardinal's Annual Information Form for the year ended December 31, 2023, is available on SEDAR+ at www.sedarplus.ca and Cardinal's website at www.cardinalenergy.ca.

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 S*tandards of Disclosure for Oil and Gas Activities* ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent using a conversion rate 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 and is not based on either energy content 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 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.

FIRST QUARTER 2024 HIGHLIGHTS

- First quarter production was consistent with the same period in 2023 however light oil production increased 7% while medium/heavy oil and natural gas production decreased 4% and 5%, respectively;
- Revenue increased 4% in the first quarter of 2024 compared to the same period in 2023;
- Adjusted funds flow[(1)] of $52.8 million or $0.33 per diluted share was consistent with the first quarter of 2023;
- Cardinal's previously announced steam-assisted gravity drainage ("SAGD") project in its Reford, Saskatchewan operating area continued to progress on time and on budget; and
- Eight (8.0 net) wells were drilled in the first quarter. Seven (7.0 net) of these wells were completed and brought on-stream late in the first quarter and will positively impact production volumes for the remainder of 2024.

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Cash flow from operating activities	**39,364**	41,089	(4)
Change in non-cash working capital	**9,137**	6,462	41
Funds flow [(1)]	**48,501**	47,551	2
Decommissioning expenditures	**4,305**	4,759	(10)
Adjusted funds flow [(1)]	**52,806**	52,310	1

(1) See Non-GAAP and other financial measures

OPERATIONS

PRODUCTION

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Light oil (bbl/d)	**8,334**	7,821	7
Medium / heavy oil (bbl/d)	**9,978**	10,380	(4)
Crude oil (bbl/d)	**18,312**	18,201	1
Natural gas (mcf/d)	**15,155**	15,980	(5)
NGL (bbl/d)	**854**	863	(1)
boe/d	**21,692**	21,726	-
% Crude oil and NGL production	**88%**	88%	-

First quarter 2024 production was consistent with the same period in 2023 with increased light oil production being offset by decreased medium/heavy oil and natural gas production. The 7% increase in light oil production was the result of an acquisition that closed in the fourth quarter of 2023. The decreased medium/heavy oil production was due to natural declines and the majority of the production from the Company's first quarter 2024 drilling program came onstream late in the first quarter or early in April of 2024.

PETROLEUM AND NATURAL GAS REVENUE

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Light oil	**63,993**	62,295	3
Medium / heavy oil	**69,521**	64,516	8
Crude oil	**133,514**	126,811	5
NGL	**3,085**	3,200	(4)
Natural gas	**3,627**	4,966	(27)
Petroleum and natural gas revenue	**140,226**	134,977	4
Cardinal average prices			
Light oil ($/bbl)	**84.38**	88.51	(5)
Medium / heavy oil ($/bbl)	**76.57**	69.06	11
Natural gas ($/mcf)	**2.63**	3.45	(24)
Equivalent ($/boe)	**71.04**	69.03	3
Benchmark prices			
Crude oil - WTI (US $/bbl)	**76.96**	76.13	1
Crude oil - Edmonton light (Cdn $/bbl)	**92.21**	99.32	(7)
Crude oil - WCS (Cdn $/bbl)	**77.77**	69.31	12
Natural gas - AECO Spot (Cdn $/mcf)	**2.53**	3.26	(22)
WCS Differential to WTI (US$/bbl)	**(19.32)**	(24.87)	(22)
Exchange rate - (US/Cdn)	**0.74**	0.74	-

Petroleum and natural gas revenue increased 4% in the first quarter of 2024 compared to the same period in 2023 due to a 3% increase in realized commodity prices combined with increased light oil production. In the first quarter of 2024, the Company's realized light oil, medium/heavy oil, and natural gas price changes were all comparable with the respective Edmonton Light oil, Western Canadian Select ("WCS") oil and AECO natural gas benchmark price changes as compared to the same period in 2023.

FINANCIAL INSTRUMENTS - COMMODITY

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Realized gain on commodity contracts	**119**	1,510	(92)
Unrealized loss on commodity contracts	**(926)**	(1,533)	(40)

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 into 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.

With the exception of a January fixed WCS differential contract for 500 bbl/d, the Company was unhedged for the first quarter of 2024. As shown below, the Company has fixed the WCS differential for various periods and prices in 2024. 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 Volume		Average Strike Price
USD WCS Differential Swap	April 2024 - June 2024	2,000	bbl/d	USD $ (14.00)
USD WCS Differential Swap	May 2024 - June 2024	2,000	bbl/d	USD $ (12.00)
USD WCS Differential Swap	July 2024 - September 2024	6,000	bbl/d	USD $ (12.13)
USD WCS Differential Swap	October 2024 - December 2024	2,000	bbl/d	USD $ (14.00)

ROYALTIES

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Royalties	**25,788**	25,742	-
Percent of revenue	**18.4%**	19.1%	(4)
$/boe	**13.06**	13.17	(1)

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 decreased 4% during the first quarter of 2024 as compared to the same period in 2023 due to certain oil production from new wells receiving a lower Crown royalty rate until initial production payouts are achieved.

NET OPERATING EXPENSES

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Operating expenses	**52,689**	50,841	4
Less: Processing and other revenue	**(1,025)**	(1,177)	(13)
Net operating expenses (1)	**51,664**	49,664	4
$/boe (1)	**26.17**	25.40	3

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

During the first quarter of 2024, net operating expenses per boe increased by 3%, over the same period in 2023, due to increased carbon and property taxes and higher workover costs. This was partially offset by lower power costs as the average Alberta power price decreased by approximately 30% in the first quarter of 2024 as compared to the same period in 2023.

TRANSPORTATION EXPENSES

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Transportation expenses	**2,179**	1,773	23
$/boe	**1.10**	0.91	21

Transportation expenses and transportation expenses per boe increased in the first quarter of 2024 as compared with the same period in 2023 as new oil production from wells drilled in our North area in 2023 is currently trucked, increasing the Company's clean oil trucking expenses.

NETBACK

($/boe)	Three months ended Mar 31, 2024	Mar 31, 2023	Change %
Petroleum and natural gas revenue	**71.04**	69.03	3
Royalties	**(13.06)**	(13.17)	(1)
Net operating expenses	**(26.17)**	(25.40)	3
Transportation expenses	**(1.10)**	(0.91)	21
Netback (1)	**30.71**	29.55	4

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

Cardinal's first quarter 2024 netback increased 4% as compared to the same period in 2023 due to higher oil prices partially offset by higher net operating and transportation expenses.

GENERAL AND ADMINISTRATIVE ("G&A")

	Three months ended Mar 31, 2024	Mar 31, 2023	Change %
Gross G&A	**7,475**	7,402	1
Capitalized G&A and overhead recoveries	**(1,745)**	(1,746)	-
G&A	**5,730**	5,656	1
$/boe	**2.90**	2.89	-

In the first quarter of 2024, G&A costs per boe have remained consistent with the same period in 2023. In the first quarter of the year, the Company generally incurs additional one-time annual costs which elevate the G&A costs per boe in the first quarter of the year as compared to expectations for the remainder of the year.

SHARE-BASED COMPENSATION ("SBC")

	Three months ended Mar 31, 2024	Mar 31, 2023	Change %
Gross SBC	**2,629**	2,467	7
Capitalized SBC	**(344)**	(287)	20
SBC	**2,285**	2,180	5
$/boe	**1.16**	1.11	5

SBC expense increased in the first quarter of 2024 compared to the same period in 2023 due to an increase in the grant date fair value of restricted bonus awards ("RA") and performance bonus awards ("PA") outstanding. Partially offsetting this increase is a reduction in the amount of RAs and PAs outstanding in 2024 compared to 2023.

As at March 31, 2024, Cardinal had 1.8 million RAs and 0.9 million PAs outstanding.

FINANCE

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Interest - bank debt	**1,683**	1,018	65
Other finance charges, net	**431**	283	52
Interest - leases	**64**	41	56
Accretion	**2,235**	2,153	4
Finance	**4,413**	3,495	26
$/boe	**2.24**	1.79	25
Average bank debt	**81,059**	52,389	55
Interest rate - bank debt	**8.4%**	7.9%	6

In the first quarter of 2024, higher interest rates combined with higher average debt levels increased the interest on bank debt by 65% as compared with the same period in 2023. Increased capital activity is forecasted throughout 2024 which is expected to periodically increase the Company's average debt levels and its interest on bank debt.

DEPLETION AND DEPRECIATION ("D&D")

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Depletion and depreciation	**25,372**	24,993	2
$/boe	**12.85**	12.78	1

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 per boe remained consistent in the first quarter of 2024 as compared to the same period in 2023 as increased 2023 year-end proved plus probable reserves were offset by an increase in the depletable base of Cardinal's property, plant and equipment.

DEFERRED TAXES

At March 31, 2024, 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 March 31, 2024 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.

In 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		
	Mar 31, 2024	Mar 31, 2023	Change %
Earnings	**16,751**	16,321	3
$ per share			
Basic	**0.11**	0.10	10
Diluted	**0.10**	0.10	-
Cash flow from operating activities	**39,364**	41,089	(4)
$ per share			
Basic	**0.25**	0.26	(4)
Diluted	**0.25**	0.26	(4)
Adjusted funds flow	**52,806**	52,310	1
$ per share[(1)]			
Basic	**0.33**	0.34	(3)
Diluted	**0.33**	0.33	-
Total payout ratio[(1)]	**116%**	100%	16

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

In the first quarter of 2024, Cardinal's earnings, cash flow from operating activities and adjusted funds flow have all remained relatively consistent with the same period in 2023 as commodity prices and production levels were similar.

CAPITAL EXPENDITURES

In the first quarter of 2024, the Company spent $32.9 million on capital expenditures which included the drilling and completion of eight (8.0 net) wells throughout our Alberta areas. Cardinal drilled three (3.0 net) Clearwater oil wells at Nipisi in northern Alberta, two (2.0 net) Clearwater oil wells in central Alberta and three (3.0 net) wells in our southern Alberta area at Tide Lake. The Company continued with its well reactivation program spending $4.8 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_2 injection at Midale.

	Three months ended		
	Mar 31, 2024	Mar 31, 2023	Change %
Land	**1,340**	446	200
Geological and geophysical	**30**	-	n/m
Drilling, completion, and recompletions	**22,878**	11,268	103
Equipment, facilities and pipelines	**8,126**	11,773	(31)
Development capital expenditures [(1)]	**32,374**	23,487	38
Capitalized G&A	**663**	808	(18)
Other assets	**(95)**	160	(159)
Acquisitions, net	**-**	872	(100)
Capital expenditures[(1)]	**32,942**	25,327	30

(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.

In the first quarter of 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 Company incurred $16.1 million in E&E expenditures in the first quarter of 2024.

DECOMMISSIONING OBLIGATION

In the first quarter of 2024, the Company continued to reduce its environmental footprint and spent $4.3 million on decommissioning obligations.

LIQUIDITY AND CAPITAL RESOURCES

	As at		
Capitalization table	**Mar 31, 2024**	Dec 31, 2023	Change %
Net debt[1]	**$ 119,716**	$ 83,650	43
Common shares, outstanding	**159,101,393**	158,095,048	1
Market price at end of period ($ per share)	**$ 7.08**	$ 6.28	13
Market capitalization	**1,126,438**	992,837	13
	$ 1,246,154	$ 1,076,487	16

(1) See Non-GAAP and other financial measures

CAPITAL FUNDING

Bank debt

The Company's reserve-based revolving credit facility of $155 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, 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. Cardinal was in compliance with the terms of the Facilities at March 31, 2024.

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.

	Twelve months ended	
	Mar 31, 2024	Dec 31, 2023
Bank debt	**$ 86,786**	$ 44,920
Adjusted working capital deficiency[1]	**32,930**	38,730
Net debt	**$ 119,716**	$ 83,650
Cash flow from operating activities	**$ 228,536**	$ 230,261
Change in non-cash working capital	**2,949**	274
Funds flow	**$ 231,485**	$ 230,535
Decommissioning obligation expenditures	**22,709**	23,163
Adjusted funds flow	**$ 254,194**	$ 253,698
Net debt to adjusted funds flow [1]	**0.5**	0.3

(1) See Non-GAAP and other financial measures

Cardinal's ratio of net debt to adjusted funds flow as at March 31, 2024 was 0.5 to 1, which increased over the level at December 31, 2023 but below the Company's targeted range of 1.0 to 1. This ratio increased as the Company has started the development of its first SAGD project. Cardinal expects this ratio will continue to fluctuate as the project requires significant up-front capital until it comes onstream which is currently expected in the second half of 2025.

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 $32.9 million at March 31, 2024 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 available Facilities combined with anticipated cash flow from operating activities and adjusted funds flow. At current commodity price levels, 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		
	Mar 31, 2024	Mar 31, 2023	Change %
Dividends declared	**29,035**	28,742	1
Dividends declared per share	**$ 0.18**	$ 0.18	-

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

SHARE CAPITAL

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.

In the first quarter of 2024, upon the vesting of 0.9 million (2023 – 1.2 million) RAs and 0.6 million (2023 – 0.7 million) PAs, when taking into account the performance multiplier for PAs, the Company issued 1.0 million (2023 – 1.4 million) treasury shares and made payments totalling $6.2 million (2023 - $8.4 million) for withholding taxes.

In the first quarter of 2024, Cardinal granted 0.9 million (2023 – 0.8 million) RAs and 0.5 million (2023 – 0.5 million) PAs to officers, directors, employees and service providers pursuant to the Company's bonus award plan.

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. To date, the Company has not repurchased any common shares with this NCIB.

Equity Instruments as at	May 9, 2024	Mar 31, 2024	Dec 31, 2023
Common shares, issued	159,638,699	159,638,699	159,638,699
Treasury shares	(535,518)	(537,306)	(1,543,651)
RAs	1,796,340	1,809,476	1,844,379
PAs	931,301	931,301	1,043,259

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 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 (1)	-	86,786		-	-	-
Thermal facility construction and engineering	45,520	58,170	-	-	-	-
Power purchase commitment (2)	10,231	11,904	11,904	11,904	-	-
Total contractual obligations	**$ 159,481**	**$ 158,678**	**$ 13,024**	**$ 12,407**	**$ 490**	**$ 912**

(1) Amount excludes interest.

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

ADDITIONAL INFORMATION

MATERIAL ACCOUNTING ESTIMATES

There have been no changes in Cardinal's material accounting estimates in the three months ended March 31, 2024. Further information on the Company's material accounting policies and estimates can be found in the notes to the annual financial statements and MD&A for the year ended December 31, 2023.

INTERNAL CONTROLS UPDATE

Cardinal is required to comply with National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". The certificate requires that Cardinal disclose in the interim MD&A any change in the Company's internal control over financial reporting ("ICOFR") that occurred during the period that has materially affected, or is reasonably likely to materially affect Cardinal's ICOFR. As of the date of this MD&A Cardinal confirms that there have been no such changes in Cardinal's ICOFR during the first quarter of 2024.

ENVIRONMENTAL RISKS

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.

OUTLOOK

The first quarter of 2024 continued to demonstrate the strength of Cardinal's low-decline asset base. Despite first quarter drilling activity contributing minimal production in the quarter, as budgeted, average corporate production was consistent with the first quarter of 2023 due to a combination of the prior year's drilling activity, prior year's acquisitions and ongoing optimization efforts.

Cardinal will continue to pursue projects and opportunities that increase our sustainability and decrease our corporate risk. During the first quarter, Cardinal continued to make investments to enhance the long-term quality, predictability and sustainability of its low-decline asset base. Specifically, the sanctioning of the Reford SAGD project in the second half of 2023, is a cornerstone to extending reserve life and improving overall long-term sustainability. This project is being developed in a manner that we expect will provide 20 plus years of incremental adjusted funds flow while at the same time positively impacting Cardinal's per barrel operating metrics. We are pleased to report that this project is currently progressing on time and on budget.

In addition to the development of the Reford SAGD project, Cardinal will look to continue its successful 2024 development program across its conventional asset base in accordance with the previously communicated capital plan. The remaining development program will target Mannville multi-lateral wells in central and southern Alberta, producing and injection wells in Midale, Saskatchewan, and light oil development in northern Alberta.

QUARTERLY DATA

	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023
Production				
Crude Oil (bbl/d)	**18,312**	18,666	18,433	17,685
Natural gas (mcf/d)	**15,155**	15,644	15,696	16,038
NGL (bbl/d)	**854**	891	823	689
Oil equivalent (boe/d)	**21,692**	22,164	21,872	21,047
Financial				
Petroleum and natural gas revenue	**140,226**	148,042	169,533	137,053
Earnings	**16,751**	20,388	39,170	27,719
Basic per share ($)	**0.11**	0.13	0.25	0.18
Diluted per share ($)	**0.10**	0.13	0.24	0.17
Cash flow from operating activities	**39,364**	69,305	58,647	61,220
Total assets	**1,227,723**	1,187,852	1,174,322	1,154,055
Bank debt	**86,786**	44,920	44,106	53,158
Total long-term liabilities	**208,699**	160,649	139,091	138,454
Shareholders' equity	**905,323**	920,688	929,481	918,478
Dividends declared	**29,035**	28,975	29,032	29,058
Per share ($)	**0.18**	0.18	0.18	0.18
Common shares outstanding, net (000's)(1)	**159,101**	158,095	158,306	158,513
Diluted shares outstanding, net (000's)(1)	**161,842**	160,983	161,249	161,492

	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
Production				
Crude Oil (bbl/d)	18,201	17,942	18,329	18,767
Natural gas (mcf/d)	15,980	15,222	15,095	15,511
NGL (bbl/d)	863	802	870	928
Oil equivalent (boe/d)	21,726	21,281	21,715	22,280
Financial				
Petroleum and natural gas revenue	134,977	154,894	179,441	228,917
Earnings	16,321	113,865	32,996	98,586
Basic per share ($)	0.10	0.73	0.21	0.64
Diluted per share ($)	0.10	0.71	0.21	0.63
Cash flow from operating activities	41,089	68,248	98,325	120,210
Total assets	1,143,805	1,155,013	1,060,734	1,130,750
Bank debt	45,320	31,280	42,167	66,956
Total long-term liabilities	128,596	120,418	114,115	181,207
Shareholders' equity	908,314	925,370	837,857	850,617
Dividends declared	28,742	28,699	23,996	8,161
Per share ($)	0.18	0.18	0.15	0.05
Common shares outstanding, net (000's)(1)	157,129	155,757	155,737	159,143
Diluted shares outstanding, net (000's)(1)	160,165	159,444	159,487	162,915

(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. In the first quarter of 2024, increased capital and E&E expenditures have increased the Company's bank debt.

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	
	Mar 31, 2024	Mar 31, 2023
Operating expenses	**52,689**	50,841
Less: Processing and other revenue	**(1,025)**	(1,177)
Net operating expenses	**51,664**	49,664

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	
	Mar 31, 2024	Mar 31, 2023
Petroleum and natural gas revenue	**140,226**	134,977
Royalties	**(25,788)**	(25,742)
Net operating expenses	**(51,664)**	(49,664)
Transportation expenses	**(2,179)**	(1,773)
Netback	**60,595**	57,798

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 and to total development capital expenditures.

	Three months ended	
	Mar 31, 2024	Mar 31, 2023
Cash flow from investing activities	**45,837**	26,062
Change in non-cash working capital	**3,173**	(735)
E&E expenditures	**(16,068)**	-
Capital expenditures	**32,942**	25,327
Capitalized G&A	**(663)**	(808)
Other assets	**95**	(160)
Acquisitions, net	**-**	(872)
Development capital expenditures	**32,374**	23,487

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 to adjusted working capital:

As at	**Mar 31, 2024**	Dec 31, 2023
Working capital deficiency	**42,297**	49,077
Less:		
Lease liabilities	**1,499**	1,370
Decommissioning obligation	**7,046**	9,081
Fair value of financial instruments	**822**	(104)
Adjusted working capital deficiency	**32,930**	38,730

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.

The following table reconciles bank debt to net debt:

As at	**Mar 31, 2024**	Dec 31, 2023
Bank debt	**86,786**	44,920
Adjusted working capital deficiency	**32,930**	38,730
Net debt	**119,716**	83,650

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	
	Mar 31, 2024	Mar 31, 2023
Cash flow from operating activities	**39,364**	41,089
Change in non-cash working capital	**9,137**	6,462
Funds flow	**48,501**	47,551
Decommissioning expenditures	**4,305**	4,759
Adjusted funds flow	**52,806**	52,310
Total development capital expenditures	**(32,379)**	(23,487)
Free cash flow	**20,427**	28,823

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	
	Mar 31, 2024	Mar 31, 2023
Petroleum and natural gas revenue	**71.04**	69.03
Royalties	**(13.06)**	(13.17)
Net operating expenses	**(26.17)**	(25.40)
Transportation expenses	**(1.10)**	(0.91)
Netback per boe	**30.71**	29.55

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 trailing twelve-month period.

Total payout ratio

Cardinal utilizes this ratio as a 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 for the applicable period.

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 basic 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 diluted 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**:**

- plans to monitor climate reporting requirements;
- estimated tax pools, future taxability and future taxable income;
- expectations with respect to the outcome of the CRA dispute;
- 2024 capital expenditure plans;
- 2024 net debt and the components thereof;
- 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 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, including its capital and decommissioning expenditure budget, dividend budget and potential other uses for corporate funds; 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 of Cardinal concerning 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, 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; 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 2022, 2023 and 2024 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 CRUDE OIL	HEAVY OIL	NGL	CONVENTIONAL NATURAL GAS	TOTAL (BOE/D)
Q1/24	51%	33%	4%	12%	21,692
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

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_2"	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