**NEWS RELEASE** **JANUARY 15, 2025**

# CARDINAL ENERGY LTD. ANNOUNCES THE 2025 BUDGET

Calgary, Alberta – Cardinal Energy Ltd. ("Cardinal" or the "Company") (TSX: CJ) is pleased to announce the 2025 budget.

## 2025 BUDGET HIGHLIGHTS

- Generate adjusted funds flow[(1)] of $217 million[(2)] ($1.30 per diluted share) at US$70 WTI;
- Average annual production of 21,300 to 21,700 boe/d for 2025 with exit 2025 production in excess of 24,500 boe/d as the Reford project begins to contribute volumes in the fourth quarter of 2025;
- Executing a conventional capital budget of $71 million and a thermal oil budget of $120 million to complete the Reford project and to de-risk our second thermal project at Kelfield;
- Drilling and completion of six (6.0 net) thermal well pairs at Reford and seven (5.2 net) wells throughout our conventional asset base to maintain production volumes in our conventional assets;
- Investment of $10 million for abandonment and reclamation activities;
- At budget pricing, forecasted maximum draw of approximately 55% of our $275 million credit facility; and
- Dividend level maintained at $0.06 per share per month.

(1) *See non-GAAP and other financial measures*
(2) *See budget summary for assumptions*

Cardinal's 2025 capital budget takes advantage of our low corporate decline rate and focuses on optimizing our long life asset base. At budgeted prices, we expect to generate approximately $146 million of free cash flow[(1)], after conventional capital expenditures, from our existing assets which will assist in funding our monthly dividend, abandonment and reclamation expenditures and the 2025 thermal expenditures required to complete the Reford Steam Assisted Gravity Drainage ("SAGD") project.

In 2025, Cardinal's focus will be on completing the Company's Reford SAGD project with first steam expected in the third quarter, initial production in the fourth quarter of 2025 and full production, of approximately 6,000 bbl/d of heavy oil, to follow in the first quarter of 2026. To date the Reford project remains on time and on budget as originally projected. The drilling of the initial SAGD well pairs has commenced in January. Fuel gas and water source pipeline construction has begun and the facility site is being prepared for modular deliveries which will start

(1) *See Non-GAAP and Other Financial Measures*

next week and continue through March. We anticipate approximately 70% of the 2025 total corporate capital expenditure budget will be undertaken in the first half of 2025, as the construction phase of the Reford SAGD project reaches its busiest, and most cost intensive period. Included in the Company's thermal budget are funds to de-risk and prepare for our planned second SAGD project at Kelfield, Saskatchewan.

With our recently completed $60 million term debt financing, Cardinal's budget anticipates a maximum draw of approximately 55% on our $275 million credit facility in 2025. The Company expects to exit the year with a net debt to adjusted funds flow ratio(1) at or below 1.0x as our bank debt is paid down in the fourth quarter from additional adjusted funds flow.

**BUDGET SUMMARY**

| | |
|---|---|
| Average production (boe/d) | 21,300 – 21,700 |
| December 2025 exit production (boe/d) | 24,500 |
| Adjusted funds flow(1) ($ mm) | 217 |
| Conventional capital expenditures ($ mm) | 71 |
| Thermal development expenditures ($ mm) | 120 |
| ARO expenditures ($ mm) | 10 |
| Net operating expenses(1) ($/boe) | 24.00 – 25.00 |
| Transportation costs ($/boe) | 1.00 – 1.25 |
| General & Administrative ($/boe) | 2.50 - 2.75 |
| | |
| WTI (US$/bbl) | 70.00 |
| US/CAD Exchange Rate | 0.71 |
| WTI-WCS Basis Differential (US$/bbl) | (13.00) |
| WTI-MSW Basis Differential (US$/bbl) | (2.50) |

*(1) See Non-GAAP and Other Financial Measures*

**Note Regarding Forward-Looking Statements**

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to Cardinal's plans and other aspects of Cardinal's anticipated future operations, management focus, objectives, strategies, financial, operating and production results. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend", "may", "would", "could" or "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this press release speak only as of the date thereof and are expressly qualified by this cautionary statement.

Specifically, this press release contains forward-looking statements relating to: expected annual average production volumes in 2025 and for exit 2025; a conventional capital budget of $71 million and a thermal oil budget of $120 million to complete the Reford project and to de-risk our second thermal project at Kelfield; the drilling of six (6.0 net) thermal well pairs at Reford and seven (5.2 net) wells throughout our conventional asset base in 2025 and $10 million for abandonment and reclamation activities; a maximum draw of approximately 55% of our $275 million credit facility (assuming budgeted pricing); expected adjusted funds flow and free cash flow; Cardinal's expectation to focus on completing the Company's Reford SAGD project with first steam expected in the third quarter, initial production in the fourth quarter of 2025 and full production, of approximately 6,000 bbl/d of heavy oil, to follow in the first quarter of 2026; Cardinal's anticipation that approximately 70% of the 2025 total corporate capital expenditure budget will be undertaken in the first half of 2025; the Company expects to exit the year with a net debt to adjusted funds flow ratio at or below 1.0x as our bank debt is paid down in the fourth quarter from additional adjusted funds flow; our planned SAGD development at Reford and future areas; the expected Reford thermal project cost from start to first steam; the anticipated timing to complete the Reford thermal project; that the 2025 budget the pricing assumptions underlying such 2025 budget and our current bank line will provide sufficient liquidity to fund SAGD expenditures; our 2025 budget, sources of funding and results therefrom including anticipated production, adjusted funds flow, free cash flow, credit facility debt levels and net debt to adjusted funds flow ratio; the de-risking of the second and future SAGD projects and the benefits to be derived therefrom; and that we will continue to add land and drilling opportunities to our base assets to extend their economic timelines and increase their standalone profitability.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning anticipated financial performance, cost estimates, business prospects, strategies, regulatory developments, current and future commodity prices and exchange rates, effects of inflation, applicable royalty rates, tax laws, industry conditions, availability of government subsidies and abandonment and reclamation programs, 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 success of our SAGD thermal projects, the sufficiency and timing of budgeted capital expenditures in carrying out planned activities, the timing and success of our cost cutting initiatives and power projects, the availability and cost of labor and services, the impact of competition, 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 and potential timing delays.

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; 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 abandonment and reclamation 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. Furthermore, in respect of the Reford project, there is a risk that development, commissioning, and achievement of commercial production of oil from the project will not be completed on time or on budget, or at all. Subject facilities may be affected by the design and construction of an efficient processing facility, the cost and availability of suitable machinery, supplies, equipment and skilled labor, the existence of competent operational management, prudent financial administration, and the availability and reliability of appropriately skilled and experienced employees.

Management has included the forward-looking statements above and a summary of assumptions and risks related to forward-looking statements provided in this press release 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 there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release 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 news release includes references to budgeted 2025 production. The Company discloses crude oil production based on the pricing index that the oil is priced from. 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) |
|---|---|---|---|---|---|
| Budgeted average 2025 | 46% | 40% | 4% | 10% | 21,300-21,700 |
| Budgeted exit 2025 | 38% | 51% | 3% | 8% | 24,500 |

## Non-GAAP and Other Financial Measures

This news release, including forecasted adjusted funds flow, free cash flow, and net debt to adjusted funds flow ratio may contain future oriented financial information ("FOFI") within the meaning of applicable securities laws. The FOFI has been prepared by management to provide an outlook of the Company's activities and results. The FOFI has been prepared based on a number of assumptions including the assumptions discussed and disclosed above, including as set forth under "Budget Summary". Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on FOFI. The Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these FOFI, or if any of them do so, what benefits the Company will derive therefrom. The Company has included the FOFI in order to provide readers with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any FOFI statements, whether as a result of new information, future events or otherwise, except as required by law. There is no significant difference between any non-GAAP financial measure that is forward-looking information and the equivalent historical non-GAAP financial measures.

This news release contains certain specified measures consisting of non-GAAP financial measures, capital management measures, non-GAAP financial ratios, and supplementary financial measures. Since these specified financial measures may not have a standardized meaning, they must be clearly defined and, where required, reconciled with their nearest GAAP measure and may not be comparable with the calculation of similar financial measures disclosed by other entities.

*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. Adjusted funds flow is calculated as funds flow excluding decommissioning expenditures since Cardinal believes the timing of 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.

*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.

**Non-GAAP Financial Ratios**

*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 the adjusted funds flow for the trailing twelve month period.

**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 news release 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.

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

**About Cardinal Energy Ltd.**

Cardinal is a Canadian oil and natural gas company with operations focused on low decline oil in Western Canada. The Company differentiates itself from its peers by having the lowest decline conventional asset base in Western Canada. Cardinal has recently announced the commencement of its first thermal SAGD oil development project which is expected to further increase the long-term sustainability of the Company.

**For further information:**

M. Scott Ratushny, CEO or Shawn Van Spankeren, CFO or Laurence Broos, VP Finance
Email: info@cardinalenergy.ca
Phone: (403) 234-8681