



CARDINAL
ENERGY LTD.

Q3 2025

FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEET

As at, (Unaudited, CA\$ thousands)	Note	September 30, 2025	December 31, 2024
ASSETS			
Current assets			
Trade and other receivables		\$ 48,337	\$ 61,364
Deposits and prepaid expenses		6,925	4,878
Fair value of financial instruments	13	1,049	-
		56,311	66,242
Non-current assets			
Fair value of financial instruments	13	29	-
Exploration and evaluation assets	3	234,853	99,179
Property, plant and equipment	4	1,111,802	1,131,554
Total assets		\$ 1,402,995	\$ 1,296,975
LIABILITIES			
Current liabilities			
Trade and other payables		\$ 96,533	\$ 109,387
Dividends payable	10	10,185	9,552
Lease liabilities	7	1,853	1,711
Decommissioning obligation	8	7,967	7,125
Fair value of financial instruments	13	-	66
		116,538	127,841
Non-current liabilities			
Lease liabilities	7	2,921	2,989
Bank debt	5	111,042	85,610
Debentures	6	99,757	-
Deferred tax		71,836	56,240
Decommissioning obligation	8	110,137	106,036
		395,693	250,875
Total liabilities		512,231	378,716
SHAREHOLDERS' EQUITY			
Share capital	9	1,125,611	1,114,959
Treasury shares	9	(3,410)	(3,650)
Warrants	6, 9	1,046	-
Contributed surplus		10,316	13,383
Deficit		(242,799)	(206,433)
Total shareholders' equity		890,764	918,259
Total liabilities and shareholders' equity		\$ 1,402,995	\$ 1,296,975
Contractual obligations	14		

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)		Three months ended September 30,		Nine months ended September 30,	
		2025	2024	2025	2024
Revenue					
Petroleum and natural gas revenue	12	\$ 127,021	\$ 147,991	\$ 404,166	\$ 457,570
Royalties		(24,050)	(28,369)	(77,437)	(85,370)
Realized (loss) gain on commodity contracts	13	(1,107)	1,017	(1,867)	1,098
Unrealized gain (loss) on commodity contracts	13	1,773	(2,205)	498	(232)
Processing and other revenue	12	1,184	1,330	3,506	4,140
Other income		-	-	-	2,000
		104,821	119,764	328,866	379,206
Expenses					
Operating		47,148	48,752	142,067	151,380
Transportation		1,487	1,787	5,286	6,306
General and administrative		5,415	4,561	16,716	15,715
Share-based compensation	11	2,502	2,176	7,034	6,700
Finance		4,355	3,431	13,048	12,463
Depletion and depreciation	4	25,806	26,199	77,848	78,461
		86,713	86,906	261,999	271,025
Earnings before deferred tax		18,108	32,858	66,867	108,181
Deferred tax expense		4,310	7,722	16,151	25,644
Earnings and comprehensive earnings		\$ 13,798	\$ 25,136	\$ 50,716	\$ 82,537
Earnings per share	9				
Basic		\$ 0.09	\$ 0.16	\$ 0.32	\$ 0.52
Diluted		\$ 0.09	\$ 0.16	\$ 0.31	\$ 0.51

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>	<i>Note</i>	Common Shares, net of treasury shares	Share Capital	Treasury Shares	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
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⁾	11	1,091,602	543	6,871	-	(13,597)	-	(6,183)
Share-based compensation		-	-	-	-	7,926	-	7,926
Tax adjustment on excess value of RA ⁽¹⁾ and PA ⁽²⁾		-	-	-	-	238	-	238
Dividends (\$0.54 per share)	10	-	-	-	-	-	(86,804)	(86,804)
Earnings for the period		-	-	-	-	-	82,537	82,537
As at September 30, 2024		159,186,650	\$ 1,114,843	\$ (3,650)	\$ -	\$ 10,803	\$ (203,594)	\$ 918,402
As at January 1, 2025		159,203,353	\$ 1,114,959	\$ (3,650)	\$ -	\$ 13,383	\$ (206,433)	\$ 918,259
Purchase of common shares for RA ⁽¹⁾ and PA ⁽²⁾ settlements	11	(264,427)	-	(1,610)	-	-	-	(1,610)
Settlement of RA ⁽¹⁾ and PA ⁽²⁾	11	1,568,872	10,197	1,850	-	(12,157)	-	(110)
Issuance of warrants	6, 9	-	-	-	1,065	-	-	1,065
Exercise of warrants	9	67,925	494	-	(19)	-	-	475
Share-based compensation		-	-	-	-	8,547	-	8,547
Tax adjustment on excess value of RA ⁽¹⁾ and PA ⁽²⁾		-	-	-	-	543	-	543
Share issue costs, net of deferred tax of \$12	9	-	(39)	-	-	-	-	(39)
Dividends (\$0.54 per share)	10	-	-	-	-	-	(87,082)	(87,082)
Earnings for the period		-	-	-	-	-	50,716	50,716
As at September 30, 2025		160,575,723	\$ 1,125,611	\$ (3,410)	\$ 1,046	\$ 10,316	\$ (242,799)	\$ 890,764

⁽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

		Three months ended September 30,		Nine months ended September 30,	
(Unaudited, CA\$ thousands)	Note	2025	2024	2025	2024
Cash provided by (used in)					
Operating activities					
Earnings for the period		\$ 13,798	\$ 25,136	\$ 50,716	\$ 82,537
Adjustments for:					
Share-based compensation	11	2,502	2,176	7,034	6,700
Depletion and depreciation	4	25,806	26,199	77,848	78,461
Unrealized loss (gain) on commodity contracts	13	(1,773)	2,205	(498)	232
Deferred tax expense		4,310	7,722	16,151	25,644
Accretion	6,7,8	2,673	2,286	7,730	6,783
Decommissioning expenditures	8	(3,566)	(1,162)	(5,911)	(6,927)
Change in non-cash working capital		11,739	19,073	10,259	1,032
		55,489	83,635	163,329	194,462
Investing activities					
Exploration and evaluation expenditures	3	(21,232)	(21,533)	(128,588)	(48,415)
Exploration and evaluation acquisitions	3	-	-	(5,000)	-
Property, plant and equipment expenditures	4	(26,672)	(33,892)	(53,200)	(86,351)
Change in non-cash working capital		5,852	10,023	(12,672)	11,019
		(42,052)	(45,402)	(199,460)	(123,747)
Financing activities					
Issuance of debentures, net of transaction costs	6	-	-	100,075	-
Dividends	10	(28,897)	(29,130)	(86,449)	(87,254)
Payment of lease liabilities	7	(609)	(442)	(1,524)	(1,201)
Share issue costs	9	-	-	(51)	-
Purchase of common shares for RA and PA settlements and withholding tax	11	(500)	-	(1,720)	(6,183)
Warrants exercised	9	466	-	475	-
Increase (decrease) in bank debt		15,747	(8,770)	24,786	24,214
Change in non-cash working capital		356	109	539	(291)
		(13,437)	(38,233)	36,131	(70,715)
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 THE CONDENSED INTERIM FINANCIAL STATEMENTS

As at September 30, 2025 and for the three and nine months ended September 30, 2025 and 2024

(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, 2024 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, 2024.

The financial statements were authorized for issue by the Board of Directors on November 6, 2025.

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. Estimates are more difficult to determine, and the range of potential outcomes can be wider, in periods of higher volatility and uncertainty. The impacts of geopolitical events such as the tariffs between Canada and the United States of America, regional conflicts, especially in oil producing areas, can materially impact energy markets, interest and inflation rates and supply chains resulting in higher levels of uncertainty. 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 consists of undeveloped land and exploration projects which are pending technical feasibility and commercial viability.

	Nine months ended September 30, 2025	Year ended December 31, 2024
Balance, beginning of period	\$ 99,179	\$ 15,322
Additions	123,549	82,293
Capitalized interest	6,457	1,958
Acquisitions	5,064	-
Changes in decommissioning obligation	604	(394)
Balance, end of period	\$ 234,853	\$ 99,179

Included in E&E costs for the nine months ended September 30, 2025 are fabricating the central processing facility ("CPF") modular components related to the thermal exploration project, the delivery and assembly of the CPF

modular components in the field, the drilling of producer and injector well pairs, disposal wells and stratigraphic test wells and initial start-up costs.

For the nine months ended September 30, 2025, Cardinal capitalized \$1.3 million (December 31, 2024 – \$1.1 million) of general and administrative expenses and \$0.7 million (December 31, 2024 – \$0.7 million) of share-based compensation expenses within E&E assets.

During the second quarter of 2025, Cardinal acquired additional undeveloped land for \$5.0 million with associated decommissioning obligations of \$0.1 million.

Impairment

At September 30, 2025 and December 31, 2024, there were no indicators of impairment for the Company's E&E assets.

4 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Right-of-use assets	Corporate assets	Total
Cost				
As at January 1, 2024	\$ 1,986,888	\$ 6,409	\$ 5,906	\$ 1,999,203
Additions	103,863	1,130	800	105,793
Dispositions	-	(615)	-	(615)
Changes in decommissioning obligation	15,810	-	-	15,810
As at December 31, 2024	2,106,561	6,924	6,706	2,120,191
Additions	54,399	1,686	(169)	55,916
Dispositions	-	(1,236)	-	(1,236)
Changes in decommissioning obligation	2,355	-	-	2,355
As at September 30, 2025	\$ 2,163,315	\$ 7,374	\$ 6,537	\$ 2,177,226
Accumulated depletion and depreciation				
As at January 1, 2024	\$ (878,420)	\$ (1,428)	\$ (4,263)	\$ (884,111)
Depletion and depreciation	(102,729)	(1,710)	(644)	(105,083)
Disposition	-	557	-	557
As at December 31, 2024	(981,149)	(2,581)	(4,907)	(988,637)
Depletion and depreciation	(75,868)	(1,521)	(459)	(77,848)
Disposition	-	1,061	-	1,061
As at September 30, 2025	\$ (1,057,017)	\$ (3,041)	\$ (5,366)	\$ (1,065,424)
Net book value				
As at December 31, 2024	\$ 1,125,412	\$ 4,343	\$ 1,799	\$ 1,131,554
As at September 30, 2025	\$ 1,106,298	\$ 4,333	\$ 1,171	\$ 1,111,802

The calculation of depletion for the nine months ended September 30, 2025 includes forecasted future development costs of \$234.4 million (December 31, 2024 – \$244.2 million) associated with the development of the Company's proved and probable oil and natural gas reserves.

For the nine months ended September 30, 2025, Cardinal capitalized \$1.3 million of general and administrative expenses (December 31, 2024 – \$1.6 million) and \$0.8 million of share-based compensation (December 31, 2024 – \$1.0 million), within property, plant and equipment.

Impairment

At September 30, 2025 and December 31, 2024, 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 reserve-based revolving credit facility of \$240.0 million is comprised of a \$175.0 million Syndicated Tranche A Facility ("Tranche A"), a \$40.0 million Syndicated Tranche B Facility ("Tranche B") and a \$25.0 million non-syndicated operating line credit facility (together the "Facilities"). The Facilities are available on a revolving basis until May 31, 2026. Tranche A and the non-syndicated operating line credit facility may be extended for a further 364 day period, subject to approval by the syndicate. If not extended, Tranche A and the non-syndicated operating line credit facility will cease to revolve, the applicable margins will increase by 0.5% and all outstanding advances will be repayable on May 31, 2027. Tranche B has a maturity date of 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 for the Facilities will be on or before November 30, 2025.

Advances under Tranche A and Tranche B are available by way of prime rate loans, which bear interest at the banks' prime lending rate plus 2.00% to 5.25% and 3.50% to 6.75%, respectively, and the Canadian Overnight Repo Rate Average ("CORRA") and/or the Secured Overnight Financing Rate ("SOFR") loans, which are subject to fees and margins ranging from 3.00% to 6.25% and 4.50% to 7.75%, respectively. Interest and standby fees on the undrawn amounts of the Facilities depend upon certain ratios. The Facilities are secured by a demand debenture pursuant to which a security interest is granted 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.

For the three months ended September 30, 2025, the Company had SOFR borrowings outstanding in US dollars which created an unrealized foreign exchange loss due to the weakening of the Canadian dollar. Concurrent with the draw of US dollar denominated borrowings, the Company entered into a cross-currency basis swap to offset the foreign currency risk resulting from holding US dollar denominated borrowings (see Note 13). This transaction allows the Company to take advantage of the interest rate spread between CORRA and SOFR without taking on any foreign exchange risk. At September 30, 2025, Cardinal had SOFR borrowings outstanding under Tranche A of USD \$72.3 million (\$100.0 million) and \$10.4 million outstanding on the non-syndicated operating line credit facility.

Letters of credit for \$2.6 million were outstanding at September 30, 2025 (December 31, 2024 – \$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 September 30, 2025. For the nine months ended September 30, 2025, the effective interest rate on the Company's bank debt was 6.5% (September 30, 2024 – 8.2%).

6 DEBENTURES

On January 3, 2025, the Company issued \$60 million in senior subordinated unsecured debentures ("7.75% Debentures"). The 7.75% Debentures bear interest at a rate of 7.75% per annum, payable semi-annually and have a maturity date of March 31, 2030. As part of the offering, the Company issued 3,900,000 warrants entitling each holder to acquire one common share of Cardinal at a price of \$7.00 per common share on or before January 3, 2028. The 7.75% Debentures are redeemable by the Company on or after March 31, 2028 subject to certain conditions. The 7.75% Debentures were initially recognized at fair value, net of directly related transaction costs (\$2.9 million), of \$56.1 million with \$1.1 million allocated to the warrants.

On March 4, 2025, an additional \$45 million in senior subordinated unsecured debentures (“8.25% Debentures”) were issued. The 8.25% Debentures bear interest at a rate of 8.25% per annum, payable semi-annually and have a maturity date of September 30, 2030. The 8.25% Debentures are redeemable by the Company on or after September 30, 2028 subject to certain conditions. The 8.25% Debentures were initially recognized at fair value, net of directly related transaction costs (\$2.0 million), of \$43.0 million.

	7.75% Debentures	8.25% Debentures	Total
As at January 1, 2025	-	-	-
Issuance	60,000	45,000	105,000
Transaction costs	(2,868)	(2,057)	(4,925)
Allocated to warrants	(1,065)	-	(1,065)
Accretion	539	208	747
As at September 30, 2025	\$ 56,606	\$ 43,151	\$ 99,757

For the nine months ended September 30, 2025, Cardinal recognized \$3.5 million of interest (September 30, 2024 – nil) related to the 7.75% Debentures and \$2.1 million of interest (September 30, 2024 – nil) related to the 8.25% Debentures. At September 30, 2025, the fair value of the 7.75% Debentures was \$61.2 million (December 31, 2024 – nil) and the fair value of the 8.25% Debentures was \$45.7 million (December 31, 2024 – nil), which was determined based on the trading values on the Toronto Stock Exchange at the reporting date.

The 7.75% Debentures and 8.25% Debentures have been classified as a liability and were initially recorded at fair value net of transaction costs. The liability will accrete up to the principal balance at maturity. The accretion and interest are expensed on the statement of earnings and comprehensive earnings.

7 LEASE LIABILITIES

	Nine months ended September 30, 2025	Year ended December 31, 2024
Balance, beginning of period	\$ 4,700	\$ 5,182
Additions	1,686	1,130
Dispositions	(175)	(66)
Accretion	87	127
Finance cost	156	251
Lease payments	(1,680)	(1,924)
Balance, end of period	\$ 4,774	\$ 4,700

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

	As at September 30, 2025	As at December 31, 2024
Less than 1 year	\$ 2,097	\$ 1,992
1 – 3 years	2,121	1,968
4 – 5 years	921	951
Thereafter	169	451
Total undiscounted future lease payments	5,308	5,362
Amounts representing financing	(534)	(662)
Present value of net lease payments	4,774	4,700
Less: current portion of lease liabilities	(1,853)	(1,711)
Non-current portion of lease liabilities	\$ 2,921	\$ 2,989

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 nine months ended September 30, 2025 were between 5% and 9% (December 31, 2024 – between 6% and 9%), depending on the duration of the lease term.

8 DECOMMISSIONING OBLIGATION

	Nine months ended September 30, 2025	Year ended December 31, 2024
Balance, beginning of period	\$ 113,161	\$ 98,383
Liabilities incurred	935	664
Liabilities acquired	64	-
Change in estimates	2,959	15,416
Decommissioning expenditures	(5,911)	(10,222)
Accretion	6,896	8,920
Balance, end of period	\$ 118,104	\$ 113,161

The Company's decommissioning obligation results from its ownership interest in petroleum and natural gas assets including well sites and facilities. At September 30, 2025, the total estimated amount to settle Cardinal's decommissioning obligation was \$405.6 million (December 31, 2024 – \$406.6 million) on an uninflated and undiscounted basis and \$767.0 million (December 31, 2024 – \$731.5 million) on an inflated and undiscounted basis. The majority of the costs are expected to be incurred over the next 50 years.

The decommissioning obligation was determined by applying an inflation factor of 1.95% (December 31, 2024 – 1.82%) and discounting the inflated amount using Cardinal's credit-adjusted rate of 8.0% (December 31, 2024 – 8.0%). The \$3.0 million (December 31, 2024 – \$15.4 million) change in estimates for the nine months ended September 30, 2025 is a result of the change in the inflation rate.

9 SHARE CAPITAL

At September 30, 2025, 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 nine months ended September 30, 2025, the trustee purchased 264,427 common shares for \$1.6 million (September 30, 2024 – nil) for the settlement of future vesting RAs and PAs.

During the nine months ended September 30, 2025, the Company utilized 274,698 (September 30, 2024 – 1,008,133) treasury shares and issued 1,294,174 (September 30, 2024 – 83,469) common shares to settle vesting RAs and PAs. As at September 30, 2025, 525,247 (December 31, 2024 – 535,518) common shares remained classified as treasury shares to be potentially used for future settlements.

Warrants

	Number of warrants
Balance, beginning of period	-
Issued	3,900,000
Exercised	(67,925)
Balance, end of period	3,832,075

On January 3, 2025, as part of the 7.75% Debentures offering, Cardinal issued 3,900,000 warrants with an exercise price of \$7.00 per warrant for one common share. The warrants entitle the holder to acquire one common share on or before January 3, 2028. The warrants were ascribed a value of \$1.1 million (see Note 6).

Earnings per share

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Earnings for the period	\$ 13,798	\$ 25,136	\$ 50,716	\$ 82,537
Earnings per share				
Basic	\$ 0.09	\$ 0.16	\$ 0.32	\$ 0.52
Diluted	\$ 0.09	\$ 0.16	\$ 0.31	\$ 0.51
Weighted average number of common shares				
Basic	160,536,800	159,180,766	160,123,002	158,822,527
Diluted	162,265,852	160,485,327	161,576,859	160,306,873

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

For the three months ended September 30, 2025, 3,749 RAs (September 30, 2024 – 3,350) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

For the nine months ended September 30, 2025, 659 RAs (September 30, 2024 – 17,079) and 3,832,075 warrants (September 30, 2024 – nil) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

10 DIVIDENDS

During the three months ended September 30, 2025, \$29.5 million (\$0.18 per common share) (September 30, 2024 – \$28.7 million) of dividends were declared, of which \$19.3 million (September 30, 2024 – \$19.1 million) was paid in cash and \$10.2 million (September 30, 2024 – \$9.6 million) was recognized as a liability at September 30, 2025. The dividend payable was settled on October 15, 2025. In the third quarter of 2025, the Company also paid dividends of \$9.6 million which was recognized as a liability at June 30, 2025.

During the nine months ended September 30, 2025, \$87.1 million (\$0.54 per common share) (September 30, 2024 – \$86.8 million) of dividends were declared, of which \$76.9 million (September 30, 2024 – \$77.2 million) was paid in cash and \$10.2 million (September 30, 2024 – \$9.6 million) was recognized as a liability at September 30, 2025. In the nine months ended September 30, 2025, the Company also paid dividends of \$9.6 million which was recognized as a liability at December 31, 2024.

11 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 \$6.60 per common share (September 30, 2024 – \$6.75 per common share) during the nine months ended September 30, 2025.

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, 2024	1,043,259	1,844,379
Granted	485,355	1,007,815
Settled	(597,313)	(984,596)
Adjustment for dividends declared	-	683
Forfeited	-	(162,182)
Expired	-	(4,898)
As at December 31, 2024	931,301	1,701,201
Granted	603,765	1,112,721
Settled	(500,445)	(827,849)
Adjustment for dividends declared	52,047	58,807
Forfeited	(59,282)	(14,145)
As at September 30, 2025	1,027,386	2,030,735

For the nine months ended September 30, 2025, upon the vesting of 827,849 (September 30, 2024 – 967,893) RAs and 500,445 (September 30, 2024 – 597,313) PAs, when taking into account the performance multiplier for PAs, the Company utilized 274,698 (September 30, 2024 – 1,008,133) treasury shares and issued 1,294,174 (September 30, 2024 – 83,469) common shares and made payments totalling \$0.1 million (September 30, 2024 – \$6.2 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 nine months ended September 30, 2025, the weighted average market price of the Company's common shares used to value the RAs granted was \$6.47 (September 30, 2024 – \$6.85) and PAs granted was \$6.50 (September 30, 2024 – \$6.90).

Share-based Compensation

For the three and nine months ended September 30, 2025, \$2.5 million (September 30, 2024 – \$2.2 million) and \$7.0 million (September 30, 2024 – \$6.7 million), respectively, of share-based compensation was expensed and \$0.5 million (September 30, 2024 – \$0.5 million) and \$1.5 million (September 30, 2024 – \$1.2 million), respectively, was capitalized.

12 REVENUE

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

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Crude oil	\$ 123,578	\$ 144,530	\$ 390,507	\$ 442,840
NGL	2,605	2,548	8,129	8,546
Natural gas	838	913	5,530	6,184
Petroleum and natural gas revenue	\$ 127,021	\$ 147,991	\$ 404,166	\$ 457,570
Processing and other revenue	\$ 1,184	\$ 1,330	\$ 3,506	\$ 4,140

Included in accounts receivable at September 30, 2025 is \$39.4 million (December 31, 2024 – \$51.2 million) of accrued petroleum and natural gas revenue.

13 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, bank debt and debentures.

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.

Derivative financial instruments 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 or finance expense for cross-currency swaps in the statement of earnings. The fair value of forward contracts and swaps is determined by discounting the difference between the contracted prices/rates and published forward price curves as at the balance sheet date, using the remaining contracted volumes/term 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 September 30, 2025 and 2024, 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 and deposits and prepaid expenses are classified as financial assets at amortized cost and are reported at amortized cost. Trade and other payables, dividends payable, debentures 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, dividends payable and financial instruments 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. See note 6 for the fair value of debentures.

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 September 30, 2025, the Company had the following commodity financial derivative contracts outstanding:

Type of instrument	Remaining term	Average quantity	Average strike price	Fair value
AECO Collar	October 2025 – December 2025	2,500 gj/d	Floor \$ 1.75	22
			Ceiling \$ 2.70	
AECO Collar	October 2025 – March 2026	2,500 gj/d	Floor \$ 2.00	20
			Ceiling \$ 3.31	
AECO Swap	April 2026 – October 2026	5,000 gj/d	\$ 3.01	390
				<u>\$ 432</u>

Interest rate and foreign currency risk

The Company enters into cross-currency basis swaps to offset the foreign exchange risk resulting from holding US dollar denominated borrowings. These swaps allow the Company to take advantage of the interest rate spread between CORRA and SOFR without taking on any foreign exchange risk. The following cross-currency basis swaps were outstanding as of September 30, 2025:

Type of contract	Maturity date	Amount	Rate	Fair value
Cross-currency basis swap	October 24, 2025	\$100.0 million	1.383 CAD/USD	646

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, fair value of financial instruments, bank debt and debentures. Trade and other payables, dividends payable and fair value of financial instruments are considered due within one year. Bank debt (see Note 5) is considered due in 2027 and the debentures are due in 2030 (see Note 6). 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 September 30, 2025.

14 CONTRACTUAL OBLIGATIONS

At September 30, 2025, the Company had contractual obligations as follows:

	2025	2026	2027	2028	2029	Thereafter
Trade and other payables	\$ 96,533	\$ -	\$ -	\$ -	\$ -	\$ -
Dividend payable	10,185	-	-	-	-	-
Lease liabilities	632	1,899	1,168	695	463	451
Bank debt	-	-	111,042	-	-	-
Thermal facility construction and engineering	871	-	-	-	-	-
Power purchase commitment ⁽¹⁾	3,000	11,904	11,904	-	-	-
Debentures ⁽²⁾	2,108	8,363	8,363	8,385	8,363	108,923
Total contractual obligations	\$ 113,329	\$ 22,166	\$132,477	\$ 9,080	\$ 8,826	\$ 109,374

⁽¹⁾ Amounts represent the portion of the Company's power cost that has been fixed.

⁽²⁾ Amounts include interest for the 7.75% Debentures and 8.25% Debentures and the principal due in 2030.