CARDINAL
ENERGY LTD.

NEWS RELEASE **JANUARY 21, 2026**

CARDINAL ENERGY LTD. ANNOUNCES THE 2026 BUDGET

Calgary, Alberta – Cardinal Energy Ltd. ("Cardinal" or the "Company") (TSX: CJ) is pleased to announce our 2026 budget.

2026 BUDGET HIGHLIGHTS

- We are forecasting average annual production of 25,000 to 25,500 boe/d for 2026, which represents 15% growth from average volumes delivered in 2025, with Reford contributing to a full year of operations;
- Our 2026 capital budget of $75 million will be heavily weighted towards our conventional assets with only minimal investment now required at our Reford SAGD project due to prior investment in 2024/2025;
- Drilling and completion of two (2.0 net) wells to support our low decline conventional asset base that continues to perform well despite modest reinvestment during the Reford SAGD build-out. Incremental conventional drilling and completion investment will be dependent on crude oil pricing;
- Generate adjusted funds flow(1) of $208 million(2) ($1.23 per diluted share) at US$60 WTI;
- Investment of $10 million for abandonment and reclamation activities;
- At budget pricing, forecasted maximum draw of approximately 69% of our $240 million credit facility with net debt(1) remaining flat; 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 2026 capital budget totalling $75 million has been designed to conservatively navigate the volatile crude oil price environment while remaining committed to shareholder returns through our monthly dividend. Maintaining a view that is rooted in preserving a flexible balance sheet is important to allow the Company the option of increasing conventional oil activity and advancing future thermal initiatives should crude oil prices outperform our budget parameters.

The Company's modest 2026 capital budget takes advantage of our low corporate decline rate and minor required spending at Reford to generate approximately $133 million of free cash flow[1] from our existing assets which will assist in funding our monthly dividend, abandonment and reclamation expenditures as well as advancing our thermal exploration initiatives.

(1) *See non-GAAP and other financial measures*

Cardinal's budget anticipates a maximum draw of approximately 69% on our $240 million credit facility in 2026. At US$60 WTI, the Company's net debt is expected to remain flat to exit 2025 levels.

BUDGET SUMMARY

Average production (boe/d)	25,000 – 25,500
Adjusted funds flow[1] ($ mm)	208
Conventional capital expenditures ($ mm)	68
Thermal expenditures - Reford and exploration ($ mm)	7
ARO expenditures ($ mm)	10
Net operating expenses[1] ($/boe)	22.00 – 23.00
Transportation costs ($/boe)	1.90 – 2.10
General & Administrative ($/boe)	2.50 - 2.75
Interest Expense ($/boe)	2.15-2.40
WTI (US$/bbl)	60.00
US/CAD Exchange Rate	0.72
WTI-WCS Basis Differential (US$/bbl)	(12.50)
WTI-MSW Basis Differential (US$/bbl)	(3.50)

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

FOURTH QUARTER 2025 VOLUMES AHEAD OF EXPECTATIONS, SURPASSED HIGH END OF ANNUAL 2025 GUIDANCE

In Q4/2025 Cardinal delivered quarterly volumes of approximately 23,500 boe/d which was above expectations largely due to the Reford SAGD ramp-up being executed ahead of schedule. This outperformance allowed Cardinal to achieve annual 2025 average volumes of ~21,870 boe/d which surpassed the high end of the 2025 guidance range of 21,300-21,700 boe/d.

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 2026; a conventional capital budget of $68 million and a thermal expenditure budget of $7 million to maintain the Reford SAGD project and advance thermal exploration initiatives; the drilling of two (2.0 net) conventional wells and $10 million for abandonment and reclamation activities; a maximum draw of approximately 69% of our $240 million credit facility (assuming budgeted pricing); expected adjusted funds flow and free cash flow; the Company expects to exit the year with a net debt to remain flat to levels exiting 2025; that the 2026 budget pricing assumptions underlying such 2026 budget and our current bank line will provide sufficient liquidity to fund our 2025 budget, sources of funding and results therefrom including anticipated production, adjusted funds flow, free cash flow and, credit facility debt levels; and the de-risking of future SAGD projects and the benefits to be derived therefrom.

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.

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 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 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 2026 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)
Fourth Quarter 2025	42%	46%	3%	9%	23,500
Annual 2025	46%	40%	4%	10%	21,870
Budgeted average 2026	35%	54%	3%	7%	25,000-25,500

Non-GAAP and Other Financial Measures

This news release, including forecasted adjusted funds flow and, free cash flow, which 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.

The following table reconciles cash flow from operating activities, funds flow, adjusted funds flow and free cash flow as at September 30, 2025:

	Three months ended		Nine months ended	
	Sept 30, 2025	Sept 30, 2024	Sept 30, 2025	Sept 30, 2024
Cash flow from operating activities	55,489	83,635	163,329	194,462
Change in non-cash working capital	(11,739)	(19,073)	(10,259)	(1,032)
Funds flow	43,750	64,562	153,070	193,430
Decommissioning expenditures	3,566	1,162	5,911	6,927
Adjusted funds flow	47,316	65,724	158,981	200,357
Development capital expenditures	(26,310)	(33,157)	(52,082)	(84,290)
Free cash flow	21,006	32,567	106,899	116,067

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 as at September 30, 2025:

	Three months ended		Nine months ended	
	Sept 30, 2025	Sept 30, 2024	Sept 30, 2025	Sept 30, 2024
Operating expenses	47,148	48,752	142,067	151,380
Less: Processing and other revenue	(1,184)	(1,330)	(3,506)	(4,140)
Net operating expenses	45,964	47,422	138,561	147,240

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.

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 production company with operations focused on low decline sustainable oil production in Western Canada. Cardinal has recently completed its first thermal SAGD project in Reford, Saskatchewan and has transitioned to the production phase of operations. The Company's portfolio of conventional and SAGD project inventory offers a complimentary low decline, long life resource base that is ideally suited to sustain our commitment to meaningful dividend returns to shareholders.

For further information:

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