

Cardinal Energy Ltd. Announces First Quarter 2024 Operating and Financial Results and 2024 Budget Update

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Calgary, May 9, 2024 - [Cardinal Energy Ltd.](#) (TSX: CJ) ("Cardinal" or the "Company") is pleased to announce its operating and financial results for the first quarter ended March 31, 2024.

FINANCIAL AND OPERATING HIGHLIGHTS FROM THE FIRST QUARTER OF 2024

- Production for the first quarter of 2024 was consistent with the first quarter of 2023 and was higher than budget for the quarter. First quarter production further evidenced the strength of Cardinal's low-decline asset base, with production being flat to the first quarter of 2023 despite minimal benefit from first quarter drilling activity due to the timing of well completions and the impact of adverse weather conditions experienced early in the first quarter.
- Adjusted funds flow⁽¹⁾ for the first quarter of 2024 was \$52.8 million, \$0.5 million higher than the first quarter of 2023. Adjusted funds flow was directed towards:
 - Direct returns to shareholders through \$29.0 million in declared dividends; and
 - Capital expenditures⁽¹⁾ of \$32.9 million and exploration and evaluation expenditures ("E&E") of \$16.1 million.
- Cardinal's previously announced steam-assisted gravity drainage ("SAGD") project in its Reford, Saskatchewan operating area continued to progress on time and on budget. See "Saskatchewan Thermal Project Summary and Update" for additional details.
- 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. Current production rates are exceeding management's expectations.
- Cardinal has updated its 2024 capital budget as a result of strong first quarter 2024 drilling results, reducing its drilling and completions development capital budget and its asset retirement obligation ("ARO") budget by a total of \$26 million. See "2024 Budget Update" for additional details.

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

The following table summarizes our first quarter financial and operating highlights:

(\$000's except shares, per share and operating amounts) Three months ended March 31			
	2024	2023	% Chg
Financial			
Petroleum and natural gas revenue	140,226	134,977	4
Cash flow from operating activities	39,364	41,089	(4)
Adjusted funds flow ⁽¹⁾	52,806	52,310	1
per share - basic	\$0.33	\$0.34	(3)
per share - diluted	\$0.33	\$0.33	-
Earnings	16,751	16,321	3
per share - basic	\$0.11	\$0.10	10
per share - diluted	\$0.10	\$0.10	-
Development capital expenditures ⁽¹⁾	32,374	23,487	38

(\$000's except shares, per share and operating amounts) Three months ended March 31

	2024	2023	% Chg
Other capital expenditures ⁽¹⁾	568	968	(41)
Acquisitions, net	-	872	n/m
Capital expenditures ⁽¹⁾	32,942	25,327	30
Exploration & evaluation expenditures	16,068	-	n/m
Common shares, net of treasury shares (000s)	159,101	157,129	1
Dividends declared	29,035	28,742	1
Per share	\$0.18	\$0.18	-
Total payout ratio ⁽¹⁾	116%	100%	16
Bank debt	86,786	45,320	91
Adjusted working capital deficiency ⁽¹⁾	32,930	32,713	1
Net debt ⁽¹⁾	119,716	78,033	53
Net debt to adjusted funds flow ratio ⁽¹⁾	0.5	0.2	150
Operating			
Average daily production			
Light oil (bbl/d)	8,334	7,821	7
Medium/heavy oil (bbl/d)	9,978	10,380	(4)
NGL (bbl/d)	854	863	(1)
Natural gas (mcf/d)	15,155	15,980	(5)
Total (boe/d)	21,692	21,726	-
Netback (\$/boe) ⁽¹⁾			
Petroleum and natural gas revenue	71.04	69.03	3
Royalties	(13.06)	(13.17)	(1)
Net operating expenses ⁽¹⁾	(26.17)	(25.40)	3
Transportation expenses	(1.10)	(0.91)	21
Netback ⁽¹⁾	30.71	29.55	4
Realized gain on commodity contracts	0.06	0.77	(92)
Finance and other	(1.12)	(0.69)	59
G&A	(2.90)	(2.89)	-
Adjusted funds flow ⁽¹⁾	26.75	26.74	-

⁽¹⁾ See non-GAAP and other financial measures.
n/m - Not meaningful or not calculable

FIRST QUARTER OVERVIEW

Adjusted funds flow for the first quarter of 2024 was \$52.8 million (\$0.33 per basic and diluted share) compared to \$52.3 million in the first quarter of 2023 (\$0.34 per basic share and \$0.33 per diluted share). Adjusted funds flow for the first quarter was positively impacted by higher average oil prices, offset in part, by higher net operating and transportation expenses. Average production for the first quarter was consistent with the first quarter of 2023.

Oil prices during the first quarter were higher than the first quarter of 2023, positively impacting overall revenues. The West Texas Intermediate ("WTI") benchmark oil price averaged US\$76.96/bbl during the first quarter, 1% higher than the first quarter of 2023. In addition to the benefit of higher WTI pricing, Canadian oil price differentials narrowed during the first quarter, positively impacting the Western Canadian Select ("WCS") benchmark price which averaged \$77.77/bbl compared to \$69.31/bbl in the first quarter of 2023. The improvement in WCS pricing, is due in part, to the Trans Mountain pipeline expansion which became operational in the second quarter of 2024. Cardinal anticipates that WCS oil price differentials will continue to benefit from the Trans Mountain expansion for the next several years.

Production for the first quarter of 2024 of 21,692 boe/d was consistent with the first quarter of 2023 and exceeded Cardinal's first quarter budget. Production was impacted by the normal decline on existing assets

and adverse weather conditions early in the quarter, offset by ongoing optimization initiatives across the entire asset base and an increase in light oil production due to the acquisition of assets in the fourth quarter of 2023. Cardinal's conventional asset drilling program did not have a material impact on first quarter production, as the majority of wells drilled in the first quarter were brought on-stream late in the quarter; the benefit of this new production will be more pronounced beginning in the second quarter of 2024. Cardinal's ability to maintain flat production for the first quarter highlights the low-decline nature of the conventional asset base. Optimization efforts during the first quarter across our asset base have continued to contribute to Cardinal's top decile base decline rate.

Net operating expenses for the first quarter were \$26.17/boe compared to \$25.40/boe in the first quarter of 2023. Net operating expenses were negatively impacted by an increase in carbon taxes and property taxes, higher workover costs and general inflationary pressures. Cardinal anticipates that net operating expenses for the remainder of 2024 will trend towards the previously communicated 2024 budget.

Power is a material component of Cardinal's net operating costs but did not have a significant impact on the current quarter's financial results compared to the first quarter of 2023 as 70% of anticipated Alberta power requirements were fixed at a price lower than the average power price experienced in the quarter due to power purchase contracts that were completed prior to 2024. Electricity prices on floating rate power requirements were approximately 30% lower than the first quarter of 2023. Electricity costs in aggregate are material to Cardinal's financial performance due to the nature of the asset base, as both CO₂ and water are pumped/moved in two directions to maintain optimal reservoir pressure. As a result of the nature of Cardinal's conventional asset base, our cost structure may be higher than similar peers; this impact is offset by Cardinal's low-decline assets which requires significantly less sustaining capital relative to the same peer group.

Capital expenditures for the first quarter were \$32.9 million, consisting of \$22.9 million on drilling, completion, and recompletions, \$8.1 million on facilities and infrastructure upgrades, with the remaining \$1.9 million being directed towards land and other capital related activity. Cardinal continues to focus on optimizing production through its enhanced oil recovery programs, utilizing a combination of CO₂ injection and waterflood.

See "Drilling Operations Update" for additional details on Cardinal's drilling and completions capital expenditures for the first quarter.

E&E expenditures for the first quarter were \$16.1 million, consisting of \$15.1 million related to the Reford, Saskatchewan SAGD project and \$1.0 million related to general Saskatchewan thermal exploration expenditures.

Decommissioning expenditures for the first quarter were \$4.3 million and were focused in winter access areas.

Finance expense for the first quarter of \$4.4 million was \$0.9 million higher than the first quarter of 2023 due primarily to higher interest charges on bank debt as a result of a combination of higher average outstanding bank debt and higher average interest rates.

Cardinal's net debt at March 31, 2024, was \$119.7 million, comprised of \$86.8 million in bank debt and \$32.9 million of adjusted working capital deficiency⁽¹⁾. The increase in bank debt, compared to the balance outstanding at December 31, 2023, and at March 31, 2023, which was consistent with the 2024 budget, is primarily due to funding a portion of Cardinal's 2024 first quarter capital program combined with expenditures incurred related to Cardinal's Saskatchewan thermal project. Cardinal's net debt to adjusted funds flow ratio ⁽¹⁾ was 0.5 at March 31, 2024, higher than the prior year comparative quarter as a result of higher bank debt drawings as previously noted. At March 31, 2024, Cardinal maintained unutilized capacity on its credit facility of approximately \$66.6 million (including \$1.7 million outstanding letters of credit).

Dividends declared in the first quarter were \$29.0 million which was consistent with the first quarter of 2023. Cardinal's dividend is currently \$0.06 per common share/month or \$0.72 per common share annualized.

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

SASKATCHEWAN THERMAL PROJECT SUMMARY AND UPDATE

As previously disclosed, Cardinal has initiated a SAGD project in its Reford, Saskatchewan operating area, that upon completion is expected to produce approximately 6,000 bbl/d (100% heavy crude oil). The initial development phase of the project is expected to be completed prior to the end of fiscal 2025.

Key attributes of Cardinal's Reford, Saskatchewan thermal project that are consistent with Cardinal's overall corporate strategy include:

- The initial 6,000 bbl/d (100% heavy crude oil) project is size and risk appropriate for Cardinal, will further enhance our low-decline existing asset base while also providing the optionality for future projects; and
- Low operating costs are forecasted to positively impact Cardinal's overall operating cost structure in the future.

The project continues to progress on time and on budget.

During the first quarter, Cardinal incurred \$15.1 million (\$15.1 million cumulative project expenditures to date) directly related to the Reford SAGD project. Significant activities undertaken during the first quarter associated with this project included: the execution of a fixed-price agreement with Propak Systems Ltd. ("Propak"), the finalization of initial engineering requirements, the commencement of fabricating the central processing facility modular components, the completion of resource mapping, the hiring of additional project team members, community engagement initiatives, and the finalization of ongoing regulatory requirements/filings.

Key activities planned for the remainder of 2024 include:

- Ongoing fabrication of the central processing facility modular components;
- Design and engineering of the water infrastructure required to generate steam;
- SAGD well pair design and placement work, including procurement of long-lead items; and
- Commencement of earthworks for the central processing facility and the first SAGD well pad.

Cardinal anticipates that the expenditures associated with this project for the remainder of 2024 will be approximately \$54 million, with the remaining \$106 million to be incurred in 2025.

DRILLING OPERATIONS UPDATE

As previously noted, \$22.9 million of capital expenditures were directed towards drilling, completion, and recompletions during the first quarter, allowing Cardinal to drill eight (8.0 net) and complete seven (7.0 net) oil wells. Specifically, Cardinal drilled and completed three (3.0 net) Clearwater oil wells at Nipisi, drilled and completed two (2.0 net) Clearwater equivalent oil wells at Buffalo Lake, and drilled three (3.0 net) completing two (2.0 net) Ellerslie oil wells at Tide Lake. One (1.0 net) oil well drilled within Ellerslie at Tide Lake was not completed as a result of poor reservoir quality.

Cardinal's first quarter drilling results exceeded management's expectations. Details on production performance on first quarter drilling activities is as follows:

- Three (3.0 net) Clearwater oil wells at Nipisi were drilled and came on-stream late in the first quarter. Current production of approximately 700 boe/d (95% heavy crude oil and 5% conventional natural gas) is exceeding expectations. All three oil wells are continuing to clean-up and will continue to be optimized;

- Two (2.0 net) Clearwater equivalent oil wells at Buffalo Lake were drilled and came on-stream at the end of the first quarter. Current production of approximately 400 bbl/d (100% heavy crude oil) is exceeding expectations. Cardinal is particularly encouraged with these results and will be assessing opportunities to accelerate development in this operating area which was recently acquired in the fourth quarter of 2023; and
- Three (3.0 net) Ellerslie oil wells at Tide Lake were drilled with two (2.0 net) oil wells coming on-stream midway through the first quarter. Current production of approximately 900 boe/d (90% medium crude oil and 10% conventional natural gas) is exceeding expectations.

In addition to drilling activities completed in the first quarter of 2024, Cardinal realized benefits from a number of development activities completed in 2023:

- One (1.0 net) Falher/Clearwater oil well at Heart River was drilled and brought on-stream late in the fourth quarter of 2023. This well is currently producing at a flat rate of 110 bbl/d (100% heavy crude oil). There are currently 12 identified follow-up drill locations within the existing drilled horizon with the potential to develop additional secondary zones within the existing land block; and
- Producer and injection wells within Cardinal's Midale operating region drilled mid-year 2023 saw inclining production through the first quarter, as expected, as 2023 drills realize increased production rates from CO₂ injection.

Cardinal continues to focus on the efficient deployment of capital by developing its multi-year drilling inventory to further augment its low-decline production base. In that light, the Company will resume its 2024 drilling program, with plans to drill 11 additional wells, beginning late in the second quarter of 2024.

Cardinal has a strong focus on maintaining and optimizing its facilities infrastructure, ensuring both short and long-term local area net operating costs and reserves are efficiently managed. During the first quarter, Cardinal incurred \$8.1 million of costs associated with these activities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Cardinal's strong corporate emissions performance has continued in 2024 with ongoing CO₂ sequestration in Saskatchewan and further implementation of projects aimed at reducing emissions from our operations across Alberta. Through our world-class Carbon Capture and Sequestration ("CCS") enhanced oil recovery ("EOR") operation at Midale, the Company sequestered approximately 48,000 tonnes of CO₂ equivalent during the first quarter of 2024. To date, the Midale CCS EOR project has sequestered 5.7 million tonnes of CO₂ and has reduced oil production decline rates from this project to approximately 3%.

Cardinal's safety record continues to be in the top tier of the industry, as is our regulatory compliance level.

Cardinal was successful in minimizing its environmental footprint during the quarter through the use of multi-well padsites for new drilling with only two new leases built for our first quarter drilling program.

2024 BUDGET UPDATE

Cardinal is announcing revisions to its previously communicated 2024 development capital and ARO budget for 2024. The results from Cardinal's first quarter of 2024 drilling program have far exceeded forecasted production rates for these new drills, providing the flexibility to reduce our development capital budget by removing four drills from our 2024 drilling and completions program. The modified drilling program will enable Cardinal to reduce its 2024 development capital budget by \$16 million, resulting in an updated 2024 development capital budget of \$100 million. Cardinal is maintaining its previously provided 2024 annual production guidance of 22,250 to 22,750 boe/d subject to the duration of any dry natural gas production that may be prudent to shut in during 2024 as a result of weak natural gas prices.

Over the past several years, Cardinal has exceeded its regulatory mandated expenditures related to

abandonment and reclamation activities by approximately 200% to 300%. For 2024 and 2025, Cardinal will continue to meet or exceed regulatory mandated expenditure levels, with an expected increase in spend in 2026. Cardinal's original 2024 budget included \$20 million for ARO expenditures, which will now be reduced to approximately \$10 million, of which \$4.3 million was spent in the first quarter of 2024.

The balance of capital spending for 2024, excluding the first quarter of 2024 spend, will be approximately \$70 million on our conventional asset base, \$6 million related to ARO, and \$54 million on Cardinal's Reford SAGD project. There is no change to the previously communicated 2024 budget of \$69 million related to the Reford SAGD project.

The combined reduction in 2024 spending of \$26 million will allow the Company to maintain its strong balance sheet and financial flexibility, and further Cardinal's ability to complete the construction of the Reford SAGD project in the event of a deterioration in oil prices.

At current WTI oil strip pricing, Cardinal expects to exit fiscal 2024 with debt levels lower than debt levels at March 31, 2024.

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 will be 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. Cardinal has drilled eight of the 19 budgeted conventional development wells to date. The remaining development program will target Mannville multi-laterals in central and southern Alberta, producer and injection wells in Midale, Saskatchewan, and light oil development in northern Alberta.

Cardinal anticipates that adjusted funds flow for 2024 and 2025, driven by our low-decline conventional oil and gas assets, will fund ongoing returns to shareholders and the development of the Reford SAGD project. The execution of the Reford project, and the anticipated corresponding increase in adjusted funds flow in late 2025, will provide Cardinal with the flexibility to revisit its framework for both shareholder returns and future capital spending budgets.

Lastly, Cardinal would like to confirm that our Nipisi Clearwater volumes were not materially impacted by a recent third-party gas plant disruption at Mitsue. By quickly working with industry partners, Cardinal was able to reconfigure existing infrastructure, moving the associated natural gas to a nearby Cardinal operated facility minimizing downtime and the impact on Cardinal's second quarter financial and operational results. In addition, Cardinal has temporarily curtailed unrelated low netback natural gas production of approximately 250 boe/d during the second quarter of 2024 as a result of current natural gas prices. Cardinal anticipates bringing this production back on-stream when it is financially prudent to do so.

On behalf of the Board of Directors, management and employees, Cardinal would like to thank our shareholders for their ongoing support.

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: expectations for the contribution of wells completed in the first quarter of 2024 to Cardinal's production profile; the number of wells to be drilled, the timing and ability to complete new wells, the budgeted cost of drilling new wells, and the financial and production/operational benefits thereof for 2024 and future years related to the Company's remaining 2024 drilling program; forecasted 2024 production; the expectations for ARO related expenditures in 2024, 2025 and 2026; the expectation that the Company will exit fiscal 2024 with a lower debt levels; the expectation that net operating expense for the remainder of 2024 will trend towards the 2024 budgeted levels; the Company's planned Saskatchewan thermal project in its Reford, Saskatchewan operating area including the expected financial and operational benefits therefrom (including extending the Company's reserves life), future production levels, the potential incremental adjusted funds flow from Cardinal's SAGD project, potential benefits of the project on corporate budgets and net operating expense, the timing of completion of the project, future impacts on per barrel environmental metrics, length and timing of the project and capital and E&E costs to complete the project; the benefits of the fixed-price agreement with Propak as it relates to this project, the timing, cost, benefits and execution of key activities planned for 2024 related to the SAGD project; the anticipated expenditures for 2024 and 2025 related to the SAGD project; the ability to continue to efficiently deploy capital to enhance the quality, predictability, and sustainability of the Company's low-decline asset base including the future benefit on reserves; the ongoing and future benefits of the Company's 2024 and 2023 drilling results; the benefit, if any, on financial and operational performance of the Company as a result of future drilling opportunities and locations; the expectation that Western Canadian Select oil price differentials will continue to benefit due to the opening of the Trans Mountain pipeline expansion in the second quarter of 2024; the timing, quantum and benefits of the Company's current and future environmental and decommissioning activities (including planned spending on liability reduction activities in 2024); the benefits of the Company's low-decline asset base on future capital expenditures; the benefits and timing of the Company's enhanced oil recovery programs; the benefits and ability to further develop the Company's land base through drilling programs or other relevant means; that adjusted funds flow for 2024 and 2025 will fund ongoing returns to shareholders and the development of the Reford project; the Company's ability to mitigate local area operating costs; the ability to fund and execute the Company's 2024 budget and capital program; the expectation of bringing curtailed natural gas production back on-stream when it is financially prudent to do so; Cardinal's intention to continue to improve its sustainability, reduce risk and provide current and future returns to shareholders; and the Company business strategies, plans and objectives, future ESG and related environmental performance, and the quality of the asset base and decline rates.

In addition, information and statements relating to reserves are deemed to be forward-looking statements, as they involve implied assessment, based on certain estimates and assumptions, that the reserves described exist in quantities predicted or estimated, and that the reserves can be profitably produced in the future.

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, project development costs, 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 sufficiency and timing of budgeted capital expenditures in carrying out planned activities, that Cardinal will complete its capital budget in the manner as currently contemplated, 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; changes to budgets; that commissioning of the Reford project will not be on time or on budget; that the Reford project will not be operational on the time frames contemplated herein, or for the costs contemplated herein; that the Reford project will commence operations, without interruptions and at production levels currently contemplated; construction and related risks related to the Reford project, including as it relates to third party contractors; 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 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 2024 and 2023 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)
Q1/2024	51%	33%	4%	12%	21,692
Q4/2023	50%	34%	4%	12%	22,164
Q1/2023	48%	36%	4%	12%	21,726
2023	49%	34%	4%	12%	21,705

Non-GAAP and Other 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.

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, 2023
Operating expenses	\$15,684
Less: Processing and other revenue	(2,041)
	\$13,643

Net operating expenses 51,664

Netback

Cardinal utilizes netback as a key performance indicator and is utilized by Cardinal 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 deducted by 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)
Exploration and evaluation 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

Adjusted working capital deficiency

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 the fair value of financial instruments, current decommissioning obligation, and current lease liabilities). The following table reconciles working capital deficiency to adjusted working capital deficiency:

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 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	(32,374)	(23,487)
Free cash flow	20,432	28,823

Non-GAAP Financial Ratios

Netback per boe

Cardinal utilizes operating netback per boe to assess the Company'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 annualized adjusted funds flow for the applicable period.

Total payout ratio

Cardinal utilizes this ratio as 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.

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 share basic 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 share diluted 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 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.

Reserves Advisories

Unless otherwise indicated, all reserves reported in this news release are Company share gross reserves which represent Cardinal's total working interest reserves prior to the deduction of royalties payable.

Future net revenue is a forecast of revenue, estimated using forecast prices and costs arising from the anticipated development and production of resources, net of associated royalties, operating costs, development costs and all corporate abandonment and reclamation costs for all active and inactive wells, pipelines and facilities. It should not be assumed that the future net revenues undiscounted and discounted at 10% included in this news release represent the fair market value of the reserves.

Oil and Gas Metrics

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.

Initial Production

Any references in this news release to initial production rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Cardinal.

Drilling Locations

This press release discloses Cardinal's inventory of approximately 12 drilling locations at Heart River, all of which are unbooked. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves. Unbooked locations have been identified by management as an estimation of the Company's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While a certain number of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, the majority of other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Market, Independent Third Party and Industry Data

Cardinal may use certain market, independent third party and industry data in respect of comparisons of Cardinal to certain peer entities, which data is based upon information from public sources, including as reported by such entities and other government or other independent industry publications and reports or based on estimates derived from such publications and reports. Cardinal has not conducted its own independent verification of such information. While Cardinal believes this data to be reliable, third party, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other

limitations and uncertainties inherent in any statistical survey. Cardinal had not independently verified any of the data from independent third party sources or ascertained the underlying assumptions relied upon by such sources.

About Cardinal Energy Ltd.

Cardinal is a Canadian oil and natural gas company with operations focused on low decline oil in Western Canada. Cardinal 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 will further increase the long-term sustainability of the Company. Cardinal works to continually improve its Environmental, Social and Governance profile and operates its assets in a responsible and environmentally sensitive manner.

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