

INFORMATION CIRCULAR – PROXY STATEMENT

DATED May 24, 2020



**CARDINAL**  
ENERGY LTD.

[WWW.CARDINALENERGY.CA](http://WWW.CARDINALENERGY.CA)



## WHO WE ARE

Cardinal is a Canadian oil focused company built to provide investors with exposure to low decline light and medium quality oil production in Western Canada.

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## LETTER TO DEBENTUREHOLDERS

May 24, 2020

Dear Debentureholders:

You are invited to attend an extraordinary meeting (the "**Meeting**") of the holders (the "**Debentureholders**") of 5.50% extendible convertible unsecured subordinated debentures of Cardinal Energy Ltd. ("**Cardinal**" or the "**Company**") due December 31, 2020 (the "**2020 Debentures**") to be held at the offices of Burnet, Duckworth & Palmer LLP at Suite 2400, 525-8<sup>th</sup> Avenue S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on June 19, 2020. **Cardinal intends to hold the Meeting in person. However, Cardinal may take precautionary measures in relation to the Meeting in response to developments with the COVID-19 pandemic. In the event it is not possible or advisable to hold the Meeting in person, the Company will announce alternative arrangements for the Meeting as promptly as practicable, which may include delaying the Meeting or holding the Meeting entirely by electronic means, telephone or other communication facilities. Please monitor Cardinal's website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca) for updated information.**

### Cardinal Overview

Cardinal is a junior oil and gas producer that differentiates itself by the long life nature of its assets. These assets, which have a lower than average decline rate of 10% per year also have a higher than average operating cost per barrel as the Company injects water or CO<sub>2</sub> into the majority of its oil properties to maintain its low decline rate. The greatest attribute that these properties afford the Company is time as the assets do not change materially from year to year.

### Terms of the Existing 2020 Debentures

As of the date hereof, \$44,451,000 principal amount of 2020 Debentures are outstanding. The 2020 Debentures are unsecured and are fully subordinated to and rank behind all of Cardinal's Senior Indebtedness (as defined in the Indenture) including all of the Company's indebtedness under its reserves-based credit facility (the "**Credit Facility**") but have priority over the common shares (the "**Common Shares**") of the Company in any insolvency, bankruptcy proceedings or similar proceeding involving Cardinal. The 2020 Debentures are listed and posted for trading on the Toronto Stock Exchange (the "**TSX**") under the trading symbol "CJ.DB". On May 22, 2020, the last trading day before the date hereof, the closing trading price of the 2020 Debentures on the TSX was \$45.50 for each \$100 principal amount, well below their principal value. The 2020 Debentures bear interest at 5.50% per annum, payable semi-annually in arrears on June 30 and December 31 in each year and are convertible at the option of the holder into Common Shares at a conversion price (the "**Conversion Price**") of \$10.50, representing a conversion rate of approximately 95.2381 Common Shares for each \$1,000 principal amount of 2020 Debentures.

The 2020 Debentures have a maturity date of December 31, 2020 and subject to applicable regulatory approval, are currently redeemable and repayable on the maturity date, at the Company's election, by the issuance and delivery of Common Shares. In that case, Debentureholders would receive that number of Common Shares equal to their principal amount of 2020 Debentures divided by 95% of the Current Market Price (as defined in the Indenture) of the Common Shares. On May 22, 2020, the last trading day prior to the date of the accompanying information circular and proxy statement of Cardinal (the "**Information Circular**"), the closing price of the Common Shares on the TSX was \$0.50, well below the \$10.50 per share Conversion Price of the 2020 Debentures.

### **Cash Flow From Operating Activities Not Expected To Be Available To Repay 2020 Debentures**

In Cardinal's original 2020 budget, announced on December 9, 2019, the Company used an average oil price for the year of \$55 WTI per barrel. The original 2020 budget contemplated that the Company would generate sufficient cash flow from operating activities to repay 2020 Debentures in full at December 31, 2020. Now with the effects of the Saudi/Russia oil price war in March of this year, quickly followed by the COVID-19 global pandemic's broad negative effect on oil demand, oil prices have been negatively affected and have ranged between a negative number and a current price of approximately \$33 WTI per barrel. With today's reduced oil pricing, the Company will not generate enough cash flow from operating activities to repay the 2020 Debentures.

### **Credit Facility Not Expected To Be Available To Repay 2020 Debentures**

When Cardinal's original 2020 budget was established, Cardinal had ample room on its Credit Facility to use it to repay the outstanding debentures. With the effects of COVID-19 on oil prices, the Company's cash flow from operating activities are lower at a time when the Credit Facility is being renewed. The Company's \$325 million Credit Facility was available on a revolving basis until May 23, 2020. On May 22, 2020, subject to certain conditions, the Company and its lenders agreed to extend the Credit Facility until June 30, 2020 in order for the lenders to have more time to assess current market conditions and the effect of potential government assistance programs on the Credit Facility. Among others, the conditions include a cap on the drawings available to the Company and that no drawings can be used to redeem or repay the 2020 Debentures. The available lending limit of the Credit Facility is based on a number of factors, including the syndicate's interpretation of the Company's reserves, future commodity prices and costs. Although the Company expects that the Credit Facility will be renewed following the extension period, the Credit Facility is not likely to be renewed by the syndicate at its original level although the credit availability may be higher or lower than the cap imposed during the 30-day extension period. In addition, there is no certainty as to whether a renewed Credit Facility will permit the Company to draw on the Credit Facility in order to repay all or any portion of the 2020 Debentures on their maturity date.

### **Proposed Amendment To The 2020 Debentures Providing The Option To Exchange To The Extended Debentures**

At the Meeting, Debentureholders will be asked to consider, and, if deemed advisable, pass an extraordinary resolution (the "**Extraordinary Resolution**"), approving certain amendments to the indenture governing the 2020 Debentures (the "**Indenture**") to:

- (i) amend the terms of the 2020 Debentures to provide Debentureholders with a right (the "**Exchange Right**"), but not an obligation, to exchange, at the Debentureholder's sole discretion and upon their election the principal amount of their 2020 Debentures, in increments of \$1,000, for an equal principal amount of a newly created second series of debentures of Cardinal designated as 8.00% convertible unsecured subordinated debentures (the "**Extended Debentures**") due December 31, 2022; and
- (ii) make such other consequential amendments as required to give effect to the forgoing (collectively the "**Amendments**").

Following the Meeting and provided the Debentureholders approve the Amendments, Cardinal intends to immediately enter into the Supplemental Indenture (as defined below). Effective as of the date of the Supplemental Indenture, Debentureholders will have the benefit of the Exchange Right pursuant to which Debentureholders may elect to exchange a minimum of \$1,000 principal amount of their 2020 Debentures and additional 2020 Debentures in integral amounts of \$1,000, for Extended Debentures. The Exchange Right will expire at 5:00 p.m. (Eastern time) on the date (the "**Expiration Date**") that is 30 days from the date of the Supplemental Indenture unless otherwise terminated, extended or amended by Cardinal (such time the "**Expiration Time**"), which is currently expected to be July 19, 2020. Promptly following the Expiration Date, all 2020 Debentures for which the Exchange Right has been

validly elected, will be exchanged for an equal principal amount of Extended Debentures (the date on which such exchange occurs is referred to herein as the "**Exchange Date**"). The Exchange Right and all elections will be subject to the terms and conditions of the Indenture, as amended by the Supplemental Indenture, and the Information Circular.

**Please note, if the Extraordinary Resolution is approved, the Exchange Right will be a 100% voluntary election. Debentureholders will have no obligation to exchange their 2020 Debentures and may elect to continue to hold their 2020 Debentures until maturity with no changes to the terms or form of their 2020 Debentures.**

The full text of the Extraordinary Resolution is set forth in Appendix A to the Information Circular and must be approved by not less than 66⅔% of the principal amount of the outstanding 2020 Debentures held by the Debentureholders present in person or represented by proxy at the Meeting and voted upon the Extraordinary Resolution.

Full details of the Amendments and the Exchange Right are set out in the accompanying Notice of Extraordinary Meeting of Debentureholders and Information Circular. You should consider carefully all of the information in the Information Circular. If you require assistance, consult your financial, legal, tax or other professional advisor.

#### **Terms Of The Proposed New Extended Debentures**

The Extended Debentures will have a maturity date of December 31, 2022 and will bear interest at the rate of 8.00% per annum, payable in equal instalments semi-annually in arrears on June 30 and December 31 in each year. Interest on the Extended Debentures will begin to accrue on the Exchange Date. The first interest payment on the Extended Debentures will be made on December 31, 2020, which payment will include interest payable from and including the Exchange Date up to, but excluding, December 31, 2020. The Extended Debentures will be convertible into Common Shares at a Conversion Price (as defined in the Indenture) of \$1.25 per share. The Extended Debentures may not be redeemed by the Company prior to December 31, 2020. On or after December 31, 2020, the Extended Debentures will be redeemable at the option of the Company at a redemption price equal to the principal amount of the Extended Debentures. Pursuant to the Amendments and as a consequence of the reduction in the Conversion Price, the number of additional Common Shares per \$1,000 principal amount of Extended Debentures constituting the relevant make-whole premium which is payable in connection with a Change of Control (as defined in the Indenture) in certain circumstances will also be amended as set forth in the Supplemental Indenture. Other than in respect of the above, the form and terms of the Extended Debentures will be substantially similar to the terms of the Indenture governing the 2020 Debentures.

The Amendments will be reflected in the supplemental trust indenture (the "**Supplemental Indenture**") to be entered into among Cardinal and Computershare Trust Company of Canada, a draft form of which is attached as Appendix B to the Information Circular. If the Extraordinary Resolution is approved by the Debentureholders and all other regulatory approvals are obtained, the effective date of the Amendments will be the date that the Company enters into the Supplemental Indenture. Cardinal intends to enter into the Supplemental Indenture as soon as possible following approval of the Extraordinary Resolution.

#### **Summary Of The Amendment And Exchange Compared To The Expected Status Quo Result To Debentureholders**

Provided the Amendments are approved and the Exchange Right is exercised, the Extended Debentures will maintain a priority position to the Common Shares and afford Debentureholders with an opportunity to receive interest for a longer period of time and at a higher interest rate on a partially protected basis compared to no current cash payments being made on the Common Shares. The Extended Debentures would also be convertible into Common Shares at a much lower conversion price than the 2020 Debentures providing holders the continuing opportunity to obtain a significant Common Share ownership position in the Company at their discretion.

If the Amendments are not approved and acceptable alternate financing is not available, the Company will exercise its right to repay the 2020 Debentures through the issuance of Common Shares. This will result in a reduction of the annual cash payment received by Debentureholders from 5.50% per annum to 0.0% since Cardinal has suspended the payment of dividends on its Common Shares. In addition, Debentureholders will no longer benefit from the priority that the 2020 Debentures had over the Common Shares in any insolvency, bankruptcy proceedings or similar proceeding.

#### **Rationale For Recommendation Of The Board**

Cardinal treats the obligation to repay the 2020 Debentures seriously and is focused on providing Debentureholders with the opportunity to receive full repayment of their investment in cash. The board of directors of Cardinal (the "**Cardinal Board**") believes that time will fix Cardinal's current liquidity crunch due to a combination of the low decline production levels of its assets which are not expected to materially change over the next few years, and an improvement in oil prices from the current low levels, resulting in increased future cash flow from operating activities and an opportunity to repay the Extended Debentures out of future this cash flow. The repayment of the Debentures from future cash flow from operating activities is viewed as a better option than significant equity dilution today. **Following a review and analysis of the Amendments and consideration of other available alternatives the Cardinal Board has unanimously determined that the Amendments are in the best interests of Cardinal and the Debentureholders. The Cardinal Board unanimously recommends that Debentureholders vote in favour of the Extraordinary Resolution.**

#### **Required Debentureholder Actions To Amend The Debentures**

All of the 2020 Debentures are held in book-entry form through the facilities of CDS & Co. (the registration name for the Canadian Depository for Securities Limited) ("**CDS**"). Accordingly, in order for a beneficial holder of 2020 Debentures to have its 2020 Debentures voted at the Meeting, it must complete and sign the applicable instrument of proxy or other voting instruction form provided by its investment dealer, broker, other nominee or intermediary and return such instrument of proxy or other voting instruction form in accordance with the instructions provided therein well in advance of the Meeting. Failure to do so will result in your 2020 Debentures not being voted at the Meeting. To be valid, any proxies must be received by Computershare Trust Company of Canada by not later than forty-eight (48) hours (exclusive of Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time of the Meeting or any postponement or adjournment thereof.

**Since all of the Debentures are held in book-entry form through the facilities of CDS, in order to exchange your 2020 Debentures pursuant to the Exchange Right, you must complete the documentation and follow the instructions provided by your investment dealer, broker or other nominee prior to the Expiration Time in the manner described under "*The Amendments – The Exchange Right – Procedure for Exercising the Exchange Right*" in the accompanying Information Circular. Debentureholders should contact their investment dealer, broker or other nominee for assistance. You can also contact Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto Ontario M5J 2Y1 Attn: Corporate Actions, Telephone: 1-800-564-6253 or Email: [corporateactions@computershare.com](mailto:corporateactions@computershare.com) if you have any questions.**



Your vote is important. The creation and issuance of the Extended Debentures will be conditional on the approval by the Debentureholders of the Amendments. Debentureholders who do not wish to exchange their 2020 Debentures may still want to vote in favour of the Amendments to enable other Debentureholders to exercise the Exchange Right. Please take the time to vote your 2020 Debentures in accordance with the instructions contained in the accompanying Information Circular and on the form of proxy or voting instruction form provided to you.

Sincerely,

(signed) "*M. Scott Ratushny*"

**M. Scott Ratushny**  
**Chair and Chief Executive Officer**

## NOTICE OF EXTRAORDINARY MEETING OF DEBENTUREHOLDERS

NOTICE is hereby given that an extraordinary meeting (the "**Meeting**") of holders (the "**Debentureholders**") of 5.50% extendible convertible unsecured subordinated debentures of Cardinal Energy Ltd. ("**Cardinal**" or the "**Company**") due December 31, 2020 (the "**2020 Debentures**") shall be held at the offices of Burnet, Duckworth & Palmer LLP at Suite 2400, 525-8<sup>th</sup> Avenue S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on June 19, 2020 for the following purposes:

1. For Debentureholders to consider, and if deemed advisable, pass, with or without variation, an extraordinary resolution (the "**Extraordinary Resolution**"), the full text of which is set forth in Appendix A to the accompanying information circular and proxy statement of Cardinal (the "**Information Circular**"), to approve certain amendments to the indenture governing the 2020 Debentures (the "**Indenture**") to:
  - (i) amend the terms of the 2020 Debentures to provide Debentureholders with a right (the "**Exchange Right**"), but not an obligation, to exchange, at the Debentureholder's sole discretion and upon their election, the principal amount of their 2020 Debentures, in increments of \$1,000, for an equal principal amount of a newly created second series of debentures designated as 8.00% convertible unsecured subordinated debentures (the "**Extended Debentures**") due December 31, 2022; and
  - (ii) make such other consequential amendments as required to give effect to the forgoing (collectively the "**Amendments**").
2. To transact such other business, including amendments to the foregoing, as may properly be brought before the Meeting or any adjournment or postponement thereof.

The specific details of the matters proposed to be put before the meeting are set forth in the Information Circular accompanying this Notice of Extraordinary Meeting of Debentureholders.

Only Debentureholders of record at the close of business on May 19, 2020 (the "**Record Date**"), will be entitled to vote at the Meeting. The quorum requirements of the Indenture will be satisfied by the presence in person or by proxy of Debentureholders representing at least 25% of the aggregate principal amount of 2020 Debentures outstanding on the date of the Meeting. If a quorum is not present in person or by proxy within 30 minutes after the appointed time of the Meeting, the Meeting will be adjourned shall be adjourned to a date that is not less than 14 nor more than 60 days later, and at such place and time as may be appointed by the chairman of the Meeting, provided that at least 10 days' notice is provided for such meeting. At the adjourned meeting, the Debentureholders present in person or represented by proxy shall constitute a quorum, even if they hold less than 25% of the outstanding principal amount of the 2020 Debentures. If the quorum requirements for the Meeting are not met, Cardinal intends to adjourn the Meeting to 9:00 a.m. on July 3, 2020 at the same place.

**All of the Debentures are held in book-entry form through the facilities of CDS & Co. (the registration name for the Canadian Depository for Securities Limited). Accordingly, in order for a beneficial holder of 2020 Debentures to have its 2020 Debentures voted at the Meeting, it must complete and sign the applicable instrument of proxy or other voting instruction form provided by its investment dealer, broker, other nominee or intermediary and return such instrument of proxy or other voting instruction form in accordance with the instructions provided therein well in advance of the Meeting. Failure to do so will result in your 2020 Debentures not being voted at the Meeting. To be valid, any proxies must be received by Computershare Trust Company of Canada by not later than forty-eight (48) hours (exclusive of Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time of the Meeting or any postponement or adjournment thereof. See "**Information Concerning the Meeting**" in the Information Circular.**



The Information Circular provides additional information relating to matters to be dealt with at the Meeting and is deemed to form part of this Notice of Extraordinary Meeting of Debentureholders.

Cardinal intends to hold the Meeting in person. However, Cardinal may take precautionary measures in relation to the Meeting in response to developments with the COVID-19 pandemic. In the event it is not possible or advisable to hold the Meeting in person, the Company will announce alternative arrangements for the Meeting as promptly as practicable, which may include delaying the Meeting or holding the Meeting entirely by electronic means, telephone or other communication facilities. Please monitor Cardinal's website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca) for updated information.

DATED at Calgary, Alberta this 24<sup>th</sup> day of May, 2020.

**BY ORDER OF CARDINAL'S BOARD OF DIRECTORS**

(signed) "*M. Scott Ratushny*"

M. Scott Ratushny  
Chair and Chief Executive Officer

## GLOSSARY OF TERMS

Unless the context otherwise requires, when used in this Information Circular the following terms shall have the meanings set forth below. Terms and abbreviations used in the Appendices to this Information Circular are defined separately therein.

"**2020 Debentures**" means the 5.50% extendible convertible unsecured subordinated debentures of Cardinal due December 31, 2020;

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Amendments**" means the amendments to the Indenture to be approved at the Meeting, all as more particularly described in this Information Circular and the Supplemental Indenture;

"**Beneficial Debentureholders**" means Debentureholders who otherwise do not hold their 2020 Debentures in their own name;

"**Business Day**" means any day which is not Saturday or Sunday or a statutory holiday in Calgary, Alberta or any other day on which business of the Trustee and Canadian chartered banks are generally closed;

"**Broadridge**" means Broadridge Financial Solutions, Inc.;

"**Cardinal**" or the "**Company**" means Cardinal Energy Ltd., a corporation existing under the ABCA;

"**Cardinal Board**" means the board of directors of Cardinal as it may be comprised from time to time.

"**CDS**" means CDS & Co. (the registration name for the Canadian Depository for Securities Limited);

"**CDS Participant**" means a broker, dealer, bank, other financial institution or other person for whom from time to time, CDS effects book-entry for a Debenture deposited with CDS;

"**Common Share**" means a common share of Cardinal;

"**Credit Facility**" means the Company's \$325 million reserves-based credit facility consisting of a \$295 million syndicated term credit facility and a \$30 million non-syndicated operating term credit facility;

"**Debentureholder Approval**" means the approval of the Extraordinary Resolution by the Debentureholders at the Meeting;

"**Debentureholders**" means the holders of the 2020 Debentures;

"**Debentures**" means the debentures, notes or other evidences of indebtedness of the Corporation issued pursuant to the Indenture and any supplements or amendments thereto, which includes the 2020 Debentures and will include the Extended Debentures;

"**Electing 2020 Debentureholders**" means Debentureholders that have validly exercised the Exchange Right;

"**Electing 2020 Debentures**" means 2020 Debentures for which the Exchange Right has been validly exercised pursuant to the Exchange Right and the provisions of the Supplemental Indenture;

"**Exchange Agent**" means Computershare Investor Services Inc.;

"**Exchange Date**" means the date on which the exchange of the Electing 2020 Debentures occurs and the Extended Debentures are issued;

"**Exchange Right**" means the right offered to Debentureholders to exchange their 2020 Debentures for Extended Debentures pursuant to the terms of the Supplemental Indenture, as more particularly described in this Information Circular.

"**Expiration Date**" means the date on which the Exchange Right expires, being the date that is 30 days following the date of the Supplemental Indenture, unless otherwise terminated, extended or amended by Cardinal;

"**Expiration Time**" means 5:00 p.m. (Eastern time) on the Expiration Date;

"**Extended Debentures**" means a newly created second series of debentures designated as 8.00% convertible unsecured subordinated debentures;

"**Extraordinary Resolution**" means the extraordinary resolution in respect of the Amendments to be considered and voted upon by the Debentureholders at the Meeting, the form of which is attached as Appendix A to this Information Circular;

"**Indenture**" means the convertible debenture indenture dated as of October 6, 2015 between the Company and Computershare Trust Company of Canada in its capacity as trustee under the Indenture providing for the issue of the Debentures;

"**Information Circular**" means this information circular and proxy statement of Cardinal, together with all appendices hereto to be mailed or otherwise distributed by Cardinal to the Debentureholders;

"**Meeting**" means the extraordinary meeting of Debentureholders to be held on June 19, 2020 to consider the Extraordinary Resolution and related matters, and any adjournment(s) or postponement(s) thereof;

"**NI 54-101**" means National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*;

"**Record Date**" means the record date for the Meeting, being May 19, 2020;

"**Supplemental Indenture**" means the supplemental indenture to be entered into among Cardinal and Computershare Trust Company of Canada in substantially the form attached as Appendix B to this Information Circular;

"**Tax Act**" means the *Income Tax Act* (Canada) R.S.C. 1985, c. 1 (5th Supp.) as amended, including the regulations promulgated thereunder;

"**Trustee**" means Computershare Trust Company of Canada in its capacity as trustee under the Indenture; and

"**TSX**" means the Toronto Stock Exchange.

## INFORMATION CIRCULAR – PROXY STATEMENT FOR THE EXTRAORDINARY MEETING OF DEBENTUREHOLDERS ON JUNE 19, 2020

### INFORMATION CIRCULAR AND PROXY STATEMENT

#### General

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of the management of Cardinal for use at the Meeting. Other than as set forth herein, no person has been authorized to give any information or make any representation in connection with the Amendments or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

Information contained in this Information Circular is given as of May 24, 2020 unless otherwise specifically stated. You are urged to carefully read the full text of the Information Circular.

This Information Circular does not constitute an offer to sell, or a solicitation of an offer to purchase Debentures in connection with the Amendments, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. The delivery of this Information Circular does not under any circumstances, imply or represent that there has been no change in the information set forth herein since the date of this Information Circular.

Debentureholders should not construe the contents of this Information Circular as legal, tax or financial advice and should consult with their own professional advisors in considering the relevant legal, tax, financial or other matters contained in this Information Circular.

#### Forward-Looking Statements

This Information Circular contains forward-looking statements and forward-looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "will", "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", "may", "project", "should" and variations of such words and similar expressions are intended to identify forward-looking statements. Specifically, and without limiting the generality of the foregoing, all statements included in this Information Circular that address activities, events or developments that Cardinal expects or anticipates will or may occur in the future, including, but not limited to statements with respect to: future plans, the long life nature of the Company's assets; the decline rate of Cardinal's assets; future operating costs, that the Company will not generate enough cash flow from operating activities to repay the 2020 Debentures; sources of liquidity available to the Company; plans to provide Debentureholders with the opportunity to receive full repayment of their investment in cash; that time will fix Cardinal's current liquidity crunch and that its assets won't materially change over the next few years; that the opportunity to repay the Extended Debentures out of future cash flow from operating activities is a better option than equity dilution; plans to hold the Meeting in person and changes that may be implemented in response to developments with the COVID-19 pandemic; the adjournment of the Meeting if quorum is not met; the proposed Amendments and timing of completion of the Amendments; satisfaction of the conditions to the Amendments becoming effective; the date on which the Supplemental Indenture will be entered into; the Expiration Date and the Exchange Date; the benefits of the Amendments; the treatment of Debentureholders under tax laws; stock exchange listings and trading prices; the renewal of the Credit Facility, if any, and the terms and conditions of such renewal; plans with respect to the repayment of the 2020 Debentures and the impact of such plans on the trading price of the Common Shares; and

that the current directors holding 2020 Debentures intend to cause such 2020 Debentures to be voted in favour of the Amendments, may constitute forward-looking statements under applicable Canadian securities laws and necessarily involve known and unknown risks and uncertainties, most of which are beyond Cardinal's control. These risks may cause actual financial and operating results, performance, levels of activity and achievements to differ materially from those expressed in, or implied by, such forward-looking statements.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning various matters including that the Credit Facility will be renewed and on the terms expected, future liquidity, that applicable regulatory approvals for the Amendments will be obtained, anticipated financial performance, business prospects, strategies, regulatory developments, future production, the impact (and the duration thereof) the COVID-19 pandemic the ability of OPEC+ nations and other major producers of crude oil to reduce crude oil production and thereby arrest and reverse the steep decline in world crude oil prices, future production rates, current and future commodity prices and exchange rates, applicable royalty rates, tax laws, future well production rates and reserve volumes, future operating costs, the performance of existing and future wells, the success of the Company's exploration and development activities, the sufficiency and timing of budgeted capital expenditures in carrying out planned activities, the timing and success of cost cutting initiatives, 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.

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 risk that the Credit Facility will not be renewed following the extension period, if the Credit Facility is renewed, the terms of any such renewal, including, as to whether a renewed Credit Facility will permit the Company to draw on the Credit Facility in order to repay all or any portion of the 2020 Debentures on their maturity date, that the Amendments may not be effected when planned, or at all, the impact of the COVID-19 pandemic, general economic conditions; volatility in market prices for crude oil and natural gas; industry conditions; Cardinal's ability to access sufficient capital from internal and external sources, 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; and 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. See "*Risks Related to the Amendments*" and "*The Amendments-Background to the Amendments*."

Management of Cardinal has included the forward-looking statements above and a summary of assumptions and risks related to forward-looking statements provided in this Information Circular 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 makes no representations or warranty that the expectations conveyed by the forward-looking statements will prove to be correct. 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. All of the forward-looking statements made in this Information Circular are qualified by these cautionary statements and are made as of the date of this Information Circular. 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.

## SUMMARY

*The following is a summary of certain information contained in this Information Circular. This summary is not intended to be complete and is qualified in its entirety by the more detailed information contained elsewhere in this Information Circular and the attached appendices, all of which are important and should be reviewed carefully. Capitalized terms used in this summary without definition have the meanings ascribed to them in the Glossary of Terms or elsewhere in this Information Circular.*

### **Date, Time and Place of Meeting**

The Meeting will be held at the offices of Burnet, Duckworth & Palmer LLP at Suite 2400, 525-8<sup>th</sup> Avenue S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on June 19, 2020 for the purposes set forth in the accompanying Notice of Extraordinary Meeting of Debentureholders. At the Meeting, Debentureholders will consider and, if deemed advisable, approve the Extraordinary Resolution.

**Cardinal intends to hold the Meeting in person. However, Cardinal may take precautionary measures in relation to the Meeting in response to developments with the COVID-19 pandemic. In the event it is not possible or advisable to hold the Meeting in person, the Company will announce alternative arrangements for the Meeting as promptly as practicable, which may include delaying the Meeting or holding the Meeting entirely by electronic means, telephone or other communication facilities. Please monitor Cardinal's website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca) for updated information.**

Only Debentureholders whose names have been entered in the registers of holders of 2020 Debentures on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment thereof. The quorum requirements of the Indenture will be satisfied by the presence in person or by proxy of Debentureholders representing at least 25% of the principal amount of 2020 Debentures outstanding on the date of the Meeting. If a quorum is not present in person or by proxy within 30 minutes after the appointed time of the Meeting, the Meeting will be adjourned shall be adjourned to a date that is not less than 14 nor more than 60 days later, and at such place and time as may be appointed by the chairman of the Meeting, provided that at least 10 days' notice is provided for such meeting. At the adjourned meeting, the Debentureholders present in person or represented by proxy shall constitute a quorum, even if they hold less than 25% of the outstanding principal amount of the 2020 Debentures. If the quorum requirements for the Meeting are not met, Cardinal intends to adjourn the Meeting to 9:00 a.m. on July 3, 2020 at the same place.

**All of the Debentures are held in book-entry form through the facilities of CDS (the registration name for the Canadian Depository for Securities Limited). Accordingly, in order for a Beneficial Debentureholder to have its 2020 Debentures voted at the Meeting, it must complete and sign the applicable instrument of proxy or other voting instruction form provided by its investment dealer, broker, other nominee or intermediary and return such instrument of proxy or other voting instruction form in accordance with the instructions provided therein well in advance of the Meeting. Failure to do so will result in your 2020 Debentures not being voted at the Meeting. To be valid, any proxies must be received by Computershare Trust Company of Canada by not later than forty-eight (48) hours (exclusive of Saturdays, Sundays and statutory holidays in the Province of Alberta) prior to the time of the Meeting or any postponement or adjournment thereof.**

See "*Information Concerning the Meeting – Date, Time and Place of Meeting*".

### Debentureholder Approval

At the Meeting, Debentureholders will be asked to approve the Extraordinary Resolution. The full text of the Extraordinary Resolution is set forth in Appendix A to this Information Circular and must be approved by not less than 66⅔% of the principal amount of the 2020 Debentures held by the Debentureholders present in person or represented by proxy at the Meeting and voted upon the Extraordinary Resolution.

See "*The Amendments – Debentureholder Approval*" and "*Information Concerning the Meeting – Voting Rights and Appointment of Proxies*".

### The Amendments

At the Meeting, Debentureholders will be asked to pass the Extraordinary Resolution approving certain amendments to the Indenture governing the Debentures to:

- (i) amend the terms of the 2020 Debentures to provide Debentureholders with the Exchange Right, pursuant to which each Debentureholder will be provided with a right, but not an obligation, to exchange, at the Debentureholder's sole discretion and upon their election, the principal amount of their 2020 Debentures, in increments of \$1,000, for an equal principal amount of Extended Debentures, being a newly created second series of debentures designated as 8.00% convertible unsecured subordinated debentures due December 31, 2022; and
- (ii) make such other consequential amendments as required to give effect to the forgoing;

The full text of the Extraordinary Resolution and the Supplemental Indenture (in draft form) that will be entered into by Cardinal and the Trustee to evidence the Amendments if the Extraordinary Resolution is passed by the Debentureholders at the Meeting are set forth in Appendices A and B to this Information Circular, respectively. If the Extraordinary Resolution is approved by the Debentureholders and all other regulatory approvals are obtained, the effective date of the Amendments will be the date that the Company enters into the Supplemental Indenture.

**Although Cardinal intends to enter into the Supplemental Indenture as soon as possible following approval of the Extraordinary Resolution, the Cardinal Board has retained the discretion, without further notice to or approval of the Debentureholders, to revoke the Extraordinary Resolution at any time prior to Cardinal entering into the Supplemental Indenture.**

Other than removing the requirement in the Indenture that Cardinal maintain the listing of the 2020 Debentures on the TSX if the exercise of the Exchange Right results in the 2020 Debentures no longer meeting the listing requirements of the TSX, the terms of the 2020 Debentures will not be affected by the Amendments. Debentureholders are encouraged to read the full text of the Extraordinary Resolution and the Supplemental Indenture in their entirety.

### The Exchange Right

Currently, pursuant to the terms of the Indenture, Debentures may only be exchanged for Debentures of the same series and date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Debentures so exchanged.

Following the Meeting and provided the Debentureholders approve the Amendments, Cardinal intends to immediately enter into the Supplemental Indenture. Effective as of the date of the Supplemental Indenture, Debentureholders will have the benefit of the Exchange Right pursuant to which Debentureholders may elect to

exchange a minimum of \$1,000 principal amount of their 2020 Debentures, and additional 2020 Debentures in integral amounts of \$1,000, for an equal principal amount of Extended Debentures.

The Exchange Right is a voluntary election of the Debentureholders, and Debentureholders may elect not to exercise the Exchange Right and to keep their 2020 Debentures until maturity. Other than removing the requirement in the Indenture that Cardinal maintain the listing of the 2020 Debentures on the TSX if the exercise of the Exchange Right results in the 2020 Debentures no longer meeting the listing requirements of the TSX, the terms of the 2020 Debentures will not be affected by the Amendments, but Debentureholders electing not to exercise the Exchange Right should carefully consider the risks and consequences of the Amendments. See "*Risks Related to the Amendments*".

**Neither Cardinal nor the Cardinal Board makes any recommendation to any Debentureholder as to whether or not to exchange their 2020 Debentures under the Exchange Right. Debentureholders must make their own decisions as to whether to deposit or refrain from depositing 2020 Debentures for exchange. Debentureholders should carefully consider all relevant factors with their own financial advisors, including the income tax consequences of the exchange. See "*Certain Income Tax Consequences of the Amendments*" and "*Risks Related to the Amendments*".**

The Exchange Right and all elections of the Exchange Right are subject to the terms and conditions set forth in the Indenture, as amended by the Supplemental Indenture, and this Information Circular.

#### ***Procedure for Exercising the Exchange Right***

Debentureholders will be able to elect to exchange their 2020 Debentures for Extended Debentures pursuant to the Exchange Right as of the date of the Supplemental Indenture up until the Expiration Time on the Expiration Date. The Exchange Right will expire at the Expiration Time on the Expiration Date, being the date that is 30 days from the date of the Supplemental Indenture, unless otherwise terminated, extended or amended by Cardinal, which is currently expected to be July 19, 2020. Promptly following the Expiration Date, the Company will exchange all Electing 2020 Debentures for which the exercise of the Exchange Right has not been rescinded prior to the Expiration Time for an equal principal amount of Extended Debentures. The Exchange Date is currently expected to be July 20, 2020. The Exchange Right and the exercise of the Exchange Right will be subject to the terms and conditions of the Indenture, as amended by the Supplemental Indenture, and this Information Circular.

Registration of interests in and transfers of Debentures may currently only be made through a book-entry only system administered by CDS. Debentureholders who wish to exercise the Exchange Right can only do so by contacting their broker, dealer, bank, or other financial institution who will then exercise the Exchange Right according to the procedures of CDS. The Exchange Agent has established accounts at CDS for the purpose of the Exchange Right. Only exchanges of 2020 Debentures through this process will constitute a valid exercise of the Exchange Right.

Debentureholders exercising the Exchange Right must elect to exchange a minimum of \$1,000 principal amount of their 2020 Debentures, and any additional 2020 Debentures in integral multiples of \$1,000. An Electing 2020 Debentureholder can expect, within approximately 10 Business Days after the Expiration Date, to have an equal principal amount of Extended Debentures credited to an account with respect to the Extended Debentures established by CDS for the purposes of the Exchange Right. All Electing 2020 Debentures exchanged for Extended Debentures shall forthwith be cancelled. See "*The Amendments – The Exchange Right – Procedure for Exercising the Exchange Right*".

### **The Extended Debentures**

The Extended Debentures will be issued and created pursuant to the terms of the Supplemental Indenture. Their creation and issuance will be conditional on Debentureholder Approval of the Amendments.

The Extended Debentures will have a maturity date of December 31, 2022 and will bear interest at the rate of 8.00% per annum, payable in equal instalments semi-annually in arrears on June 30 and December 31 in each year. Interest on the Extended Debentures will begin to accrue on Exchange Date, and the first interest payment on the Extended Debentures will be December 31, 2020. The Extended Debentures will be convertible into Common Shares at a Conversion Price (as defined in the Indenture) of \$1.25 per share. The Extended Debentures may not be redeemed by the Company prior to December 31, 2020. On or after December 31, 2020, the Extended Debentures will be redeemable at the option of the Company at a redemption price equal to the principal amount of the Extended Debentures. Pursuant to the Amendments and as a consequence of the reduction in the Conversion Price, the number of additional Common Shares per \$1,000 principal amount of Extended Debentures constituting the relevant make-whole premium which is payable in connection with a Change of Control (as defined in the Indenture) in certain circumstances will also be amended as set forth in the Supplemental Indenture. Other than in respect of the above, the form and terms of the Extended Debentures will be substantially similar to the terms of the Indenture governing the 2020 Debentures. See "*The Amendments – The Extended Debentures*".

### **Background to the Amendments**

The 2020 Debentures mature and the principal amount of the 2020 Debentures becomes due on December 31, 2020. The Company expects that it will be unable to draw on its Credit Facility in order to repay the principal of the 2020 Debentures. The Company has explored alternatives to address the maturity of the Debentures and has determined that the Amendments and the Exchange Right are in the best interests of Debentureholders and the Company. This Information Circular contains a summary of the events leading up to the decision to proceed with the Amendments. See "*The Amendments – Background to the Amendments*".

### **Reasons For and Anticipated Benefits of the Amendments**

Provided the Amendments are approved and the Exchange Right is exercised, the Extended Debentures will maintain a priority position to the Common Shares and afford Debentureholders with an opportunity to receive interest for a longer period of time and at a higher interest rate on a partially protected basis compared to no current cash payments being made on the Common Shares. The Extended Debentures would also be convertible into Common Shares at a much lower conversion price than the 2020 Debentures providing Debentureholders the continuing opportunity to obtain a significant Common Share ownership position in the Company at their discretion.

If the Amendments are not approved and acceptable alternate financing is not available, the Company will exercise its right to repay the 2020 Debentures through the issuance of Common Shares. This will result in a reduction of the annual cash payment received by Debentureholders from 5.50% per annum to 0.0% since Cardinal has suspended the payment of dividends on its Common Shares. In addition, Debentureholders will no longer benefit from the priority that the 2020 Debentures had over the Common Shares in any insolvency, bankruptcy proceedings or similar proceeding.

See "*The Amendments – Reasons for and Anticipated Benefits of the Amendments*".

### **Recommendation of the Cardinal Board**

**Following a review and analysis of the Amendments and consideration of other available alternatives and other relevant factors considered by the Cardinal Board, the Cardinal Board has unanimously determined that the Amendments are in the best interests of Cardinal and the Debentureholders. The Cardinal Board unanimously recommends that Debentureholders vote in favour of the Extraordinary Resolution.**

The discussion contained in this Information Circular of the information and factors considered and given weight to by the Cardinal Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Extraordinary Resolution, the Cardinal Board did not assign any relative or specific weight to the factors that were considered, and individual directors may have given a different weights to different factors.

### **Stock Exchange Listings**

The TSX has conditionally approved the listing of the Extended Debentures, and the Common Shares issuable on the conversion, redemption and maturity of the Extended Debentures or pursuant to the Indenture. Subject to the Company fulfilling all of the requirements of the TSX, the Extended Debentures will trade on the TSX under the symbol CJ.DB.A following the Exchange Date.

The 2020 Debentures are listed and posted for trading on the TSX under the trading symbol "CJ.DB". It is expected that the 2020 Debentures will continue to be listed on the TSX following the Amendments. However, if, as a result of the Amendments and the exercise of the Exchange Right, the market value of then outstanding 2020 Debentures (excluding the Extended Debentures) falls below \$2,000,000, such 2020 Debentures may be de-listed. See "*Risks Related to the Amendments.*"

The Indenture currently requires Cardinal to maintain the listing of the Debentures on the TSX. Accordingly, as part of the consequential amendments forming part of the Amendments, the Supplemental Indenture provides that Cardinal will not be required to maintain a listing of the 2020 Debentures on the TSX if the exercise of the Exchange Right results in the 2020 Debentures no longer meeting the listing requirements of the TSX.

### **Certain Income Tax Consequences of the Amendments**

#### ***Canada***

This Information Circular contains a summary of certain Canadian federal income tax considerations generally applicable to certain Debentureholders in connection with the Amendments including the exercise of the Exchange Right. See "*Certain Income Tax Consequences of the Amendments.*"

#### ***Other***

**This Information Circular does not contain a summary of the non-Canadian income tax considerations in connection with the Amendments for Debentureholders who are subject to income tax outside of Canada. Such holders should consult their tax advisors with respect to the tax implications of the Amendments, including any associated filing requirements in such jurisdictions.**

## THE AMENDMENTS

### Background to the Amendments

Cardinal is a junior oil and gas producer that differentiates itself by the long life nature of its assets. These assets, which have a lower than average decline rate of 10% per year also have a higher than average operating cost per barrel as the Company injects water or CO<sub>2</sub> into the majority of its oil properties to maintain its low decline rate. The greatest attribute that these properties afford the Company is time as the assets do not change materially from year to year.

In Cardinal's original 2020 budget, announced on December 9, 2019, the Company used an average oil price for the year of \$55 WTI per barrel. The original 2020 budget contemplated that the Company would generate sufficient cash flow from operating activities to repay 2020 Debentures in full at December 31, 2020. Now with the effects of the Saudi/Russia oil price war in March of this year, quickly followed by the COVID-19 global pandemic's broad negative effect on oil demand, oil prices have been negatively affected and have ranged between a negative number and a current price of approximately \$33 WTI per barrel. With today's reduced oil pricing, the Company will not generate enough cash flow from operating activities to repay the 2020 Debentures.

When Cardinal's original 2020 budget was established, Cardinal had ample room on its Credit Facility to use it to repay the outstanding debentures. With the effects of COVID-19 on oil prices, the Company's cash flow from operating activities are lower at a time when the Credit Facility is being renewed. The Company's \$325 million Credit Facility was available on a revolving basis until May 23, 2020. On May 22, 2020, subject to certain conditions, the Company and its lenders agreed to extend the Credit Facility until June 30, 2020 in order for the lenders to have more time to assess current market conditions and the effect of potential government assistance programs on the Credit Facility. Among others, the conditions include a cap on the drawings available to the Company and that no drawings can be used to redeem or repay the 2020 Debentures. The available lending limit of the Credit Facility is based on a number of factors, including the syndicate's interpretation of the Company's reserves, future commodity prices and costs. Although the Company expects that the Credit Facility will be renewed following the extension period, the Credit Facility is not likely to be renewed by the syndicate at its original level although the credit availability may be higher or lower than the cap imposed during the 30-day extension period. In addition, there is no certainty as to whether a renewed Credit Facility will permit the Company to draw on the Credit Facility in order to repay all or any portion of the 2020 Debentures on their maturity date.

The Cardinal Board has reviewed and considered, among other things: (i) information concerning the business, operations, property, assets, financial conditions, operating results and the prospects of Cardinal; (ii) historical information regarding the trading price and volumes of the Common Shares and the 2020 Debentures; (iii) current and prospective industry, economic and market conditions and Cardinal's prospects going forward; (iv) the financial position of Cardinal and its ability to fund its ongoing operations; (v) the risks associated with the Company continuing to pursue its current business strategy and the risks associated with completion and non-completion of the proposed Amendments; (vi) the specific terms of the proposed Amendments; and (vii) alternatives potentially available to the Company.

On May 22, 2020, the Cardinal Board unanimously: (i) determined that the Amendments are in the best interests of Cardinal and Debentureholders; (ii) approved the Amendments; and (iii) resolved to recommend that Debentureholders vote in favour of the Extraordinary Resolution.

### **Reasons For and Anticipated Benefits of the Amendments**

In reaching its determination, approval and recommendation in respect of the Amendments, the Cardinal Board has considered many factors, including the terms and conditions of the Amendments, various strategic factors and potential advantages and disadvantages of the Amendments. Without limiting the generality of the foregoing, the benefits, risks and other factors considered by the Cardinal Board included the following:

- the lack of certainty that the Company will have capacity under its Credit Facility to repay all or any portion of the 2020 Debentures on their maturity date and the Company has no other known sources of liquidity available that would allow the repayment of the 2020 Debentures with cash;
- if the Company elects to repay the 2020 Debentures with Common Shares, Debentureholders will no longer receive their annual cash interest payment of 5.50% per annum and will no longer benefit from the priority that the 2020 Debentures had over the Common Shares in any insolvency, bankruptcy proceedings or similar proceeding;
- if the Company elects to repay the 2020 Debentures with Common Shares, at the current trading price levels, there would be significant dilution to the current holders of Common Shares, which is expected to negatively effect the trading price of the Common Shares and will reduce the per share benefits of any improvement in the future macro environment due to the significantly increased total number of Common Shares then outstanding;
- the terms of the Extended Debentures are beneficial to the Debentureholders, because:
  - the Extended Debentures will maintain the priority ranking for the holders in line with the existing 2020 Debentures and ahead of the Common Shares;
  - the Extended Debentures will receive an increased annual cash coupon of 8.00% compared to the existing 2020 Debentures at 5.50% and zero for the Common Shares as the Company is currently not paying any cash dividends;
  - the Extended Debentures will continue to provide the holders thereof with the option to convert into Common Shares but at a lower improved conversion price than the 2020 Debentures providing increased proforma ownership;
  - holders of Extended Debentures have the potential to receive a higher yield for a longer period on a partially protected basis as the Extended Debentures have the potential to be outstanding to December 31, 2022;
  - the combination of the increased annual interest rate from 5.50% to 8.00%, the decrease in the conversion price from \$10.50 to \$1.25 per share, and the extended term to maturity to December 31, 2022, are expected to cause the Extended Debentures to trade at a higher value than the 2020 Debentures;
- Debentureholders will be provided with the flexibility to voluntarily elect to exchange their 2020 Debentures at their own discretion, and, other than removing the requirement in the Indenture that Cardinal maintain the listing of the 2020 Debentures on the TSX if the exercise of the Exchange Right results in the 2020 Debentures no longer meeting the listing requirements of the TSX, the terms of the 2020 Debentures will not be affected by the Amendments; and

- the extended maturity date of the Extended Debentures lessens the likelihood that the Company will elect to issue Common Shares to satisfy the repayment of the 2020 Debentures and will allow the Company to defer the repayment of principal for those 2020 Debentures so exchanged to a time when the commodity markets may be improved and a cash payment is more viable for the Company.

Cardinal treats the obligation to repay the 2020 Debentures seriously and is focused on providing Debentureholders with the opportunity to receive full repayment of their investment in cash. The Cardinal Board believes that time will fix Cardinal's current liquidity crunch due to a combination of the low decline production levels of its assets which are not expected to materially change over the next few years, and an improvement in oil prices from the current low levels, resulting in increased future cash flow from operating activities and an opportunity to repay the Extended Debentures out of future this cash flow. The repayment of the Debentures from future cash flow from operating activities is viewed as a better option than significant equity dilution today.

The foregoing summary of the information and factors considered by the Cardinal Board is not intended to be exhaustive of the factors considered by them in reaching their respective conclusions and making their recommendations. In their evaluation of the Amendments, individual members of the Cardinal Board evaluated the various factors summarized above in light of their own knowledge of the business, financial condition and prospects of Cardinal, and based upon the advice of the Cardinal Board's legal advisors. In view of the numerous factors considered in connection with their evaluation of the Amendments, the Cardinal Board found it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific factors in reaching their respective conclusions and recommendations. In addition, individual members of the Cardinal Board may have given different weights to different factors. The conclusions and recommendations of the Cardinal Board were made after considering all of the information and factors involved.

#### **Recommendation of the Cardinal Board**

**Following a review and analysis of the Amendments and consideration of other available alternatives and other relevant factors considered by the Cardinal Board, the Cardinal Board has unanimously determined that the Amendments are in the best interests of Cardinal and the Debentureholders. The Cardinal Board unanimously recommends that Debentureholders vote in favour of the Extraordinary Resolution.**

#### **Debentureholder Approval**

At the Meeting, Debentureholders will be asked to approve the Extraordinary Resolution. The full text of the Extraordinary Resolution is set forth in Appendix A to this Information Circular and must be approved by not less than 66 $\frac{2}{3}$ % of the principal amount of the Debentures held by the Debentureholders present in person or represented by proxy at the Meeting and voted upon the Extraordinary Resolution.

#### **Effective Date of the Amendments**

The Amendments will become effective on the date the Company enters into the Supplemental Indenture. It is not possible, however, to state with certainty when the effective date of the Amendments will occur. The effective date of the Amendments could be delayed for a number of reasons. **Although Cardinal intends to enter into the Supplemental Indenture as soon as possible following approval of the Extraordinary Resolution, the Cardinal Board has retained the discretion, without further notice to or approval of the Debentureholders, to revoke the Extraordinary Resolution at any time prior to Cardinal entering into the Supplemental Indenture.**

## The Amendments

At the Meeting, Debentureholders will be asked to pass the Extraordinary Resolution approving certain amendments to the Indenture governing the Debentures to:

- (i) amend the terms of the 2020 Debentures to provide Debentureholders with the Exchange Right, pursuant to which each Debentureholder will be provided with a right, but not an obligation, to exchange, at the Debentureholder's sole discretion and upon their election, the principal amount of their 2020 Debentures, in increments of \$1,000, for an equal principal amount of Extended Debentures, being a newly created second series of debentures designated as 8.00% convertible unsecured subordinated debentures due December 31, 2022; and
- (ii) make such other consequential amendments as required to give effect to the forgoing;

The full text of the Extraordinary Resolution and the Supplemental Indenture (in draft form) that will be entered into by Cardinal and the Trustee to evidence the Amendments if the Extraordinary Resolution is passed by the Debentureholders at the Meeting are set forth in Appendices A and B to this Information Circular, respectively. If the Extraordinary Resolution is approved by the Debentureholders and all other regulatory approvals are obtained, the effective date of the Amendments will be the date that the Company enters into the Supplemental Indenture. **Although Cardinal intends to enter into the Supplemental Indenture as soon as possible following approval of the Extraordinary Resolution, the Cardinal Board has retained the discretion, without further notice to or approval of the Debentureholders, to revoke the Extraordinary Resolution at any time prior to Cardinal entering into the Supplemental Indenture. See "Effective Date of the Amendments".**

Debentureholders are encouraged to read the full text of the Extraordinary Resolution and the Supplemental Indenture in their entirety.

## The Exchange Right

Currently, pursuant to the terms of the Indenture, Debentures may only be exchanged for Debentures of the same series and date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Debentures so exchanged.

Following the Meeting and provided the Debentureholders approve the Amendments, Cardinal intends to immediately enter into the Supplemental Indenture. Effective as of the date of the Supplemental Indenture, Debentureholders will have the benefit of the Exchange Right pursuant to which Debentureholders may elect to exchange a minimum of \$1,000 principal amount of their 2020 Debentures, and additional 2020 Debentures in integral amounts of \$1,000, for an equal principal amount of Extended Debentures.

The Exchange Right is a voluntary election of the Debentureholders, and Debentureholders may elect not to exercise the Exchange Right and keep their 2020 Debentures until maturity. Other than removing the requirement in the Indenture that Cardinal maintain the listing of the 2020 Debentures on the TSX if the exercise of the Exchange Right results in the 2020 Debentures no longer meeting the listing requirements of the TSX, the terms of the 2020 Debentures will not be affected by the Amendments, but Debentureholders electing not to exercise the Exchange Right should carefully consider the risks and consequences of the Amendments. See "*Risks Related to the Amendments*".

The Exchange Right will commence on the date of the Supplemental Indenture and will expire at the Expiration Time on the Expiration Date. It is currently anticipated that the Exchange Right will expire at 5:00 p.m. (Eastern time) on

the date that is 30 days following the date of the Supplemental Indenture, unless terminated, extended or amended by Cardinal. See "*Procedure for Exercising the Exchange Right*".

**If a Debentureholder exercises the Exchange Right, that Debentureholder's 2020 Debentures so exchanged will be deposited pursuant to the book-entry only system administered by CDS. After the Expiration Date, all Electing 2020 Debentures for which the exercise of the Exchange Right has not been rescinded prior to the Expiration Time will promptly be exchanged for an equal principal amount of Extended Debentures deposited into an account administered by CDS for such Extended Debentures.**

Pursuant to the provisions of the Supplemental Indenture, Cardinal will have the right, in its sole discretion, at any time or from time to time: (a) to terminate the Exchange Right; and/or (b) to vary the terms of the Exchange Right in any respect, including extending or amending the period of time during which the Exchange Right may be exercised, by giving written notice of such extension, amendment, variation or termination to the Exchange Agent and by causing the Exchange Agent to provide a copy of such notice to CDS. See "*Extension, Variation and Termination of the Exchange Right*".

Neither Cardinal nor the Cardinal Board makes any recommendation to any Debentureholder as to whether or not to exercise the Exchange Right and exchange their 2020 Debentures. Debentureholders must make their own decisions as to whether to deposit or refrain from depositing 2020 Debentures for exchange. Debentureholders should carefully consider all relevant factors with their own financial advisors, including the income tax consequences of the exchange. See: "*Certain Income Tax Consequences of the Amendments*" and "*Risks Related to the Amendments*".

The Exchange Right and elections are subject to the terms and conditions set forth in the Indenture, as amended by the Supplemental Indenture, and this Information Circular.

#### ***Procedure for Exercising the Exchange Right***

Debentureholders will be able to elect to exchange their 2020 Debentures for Extended Debentures pursuant to the Exchange Right as of the date of the Supplemental Indenture up until the Expiration Time on the Expiration Date. The Exchange Right will expire at the Expiration Time on the Expiration Date, being the date that is 30 days from the date of the Supplemental Indenture, unless otherwise terminated, extended or amended by Cardinal, which is currently expected to be July 19, 2020. Promptly following the Expiration Date, the Company will exchange all Electing 2020 Debentures for which the exercise of the Exchange Right has not been rescinded prior to the Expiration Time for an equal principal amount of Extended Debentures. The Exchange Date is currently expected to be July 20, 2020. The Exchange Right and the exercise of the Exchange Right will be subject to the terms and conditions of the Indenture, as amended by the Supplemental Indenture, and this Information Circular.

Registration of interests in and transfers of Debentures may currently only be made through a book-entry only system administered by CDS. Debentureholders who wish to exercise the Exchange Right can only do so by contacting their broker, dealer, bank, or other financial institution who will then exercise the Exchange Right according to the procedures of CDS. The Exchange Agent has established accounts at CDS for the purpose of the Exchange Right. **Only exchanges of 2020 Debentures through this process will constitute a valid exercise of the Exchange Right.** CDS will be issuing further instructions directly to CDS Participants on the exchange of 2020 Debentures for pursuant to the Exchange Right, and will provide information on who to contact at the Exchange Agent with respect to further information on tendering such 2020 Debentures. **You can also contact the Exchange Agent, Computershare Investor Services Inc., at Computershare Investor Services Inc. at 100 University Avenue, 8th Floor, Toronto Ontario M5J 2Y1 Attn: Corporate Actions, Telephone: 1-800-564-6253 or Email: [corporateactions@computershare.com](mailto:corporateactions@computershare.com) if you have any questions.**



Debentureholders exercising the Exchange Right must elect a minimum of \$1,000 principal amount of their 2020 Debentures, and any additional 2020 Debentures in integral multiples of \$1,000. An Electing 2020 Debentureholder can expect, within approximately 10 Business Days after the Expiration Date, to have an equal principal amount of Extended Debentures credited to an account with respect to the Extended Debentures established by CDS for the purposes of the Exchange Right. All Electing 2020 Debentures exchanged for Extended Debentures shall forthwith be cancelled.

The Exchange Agent will receive reasonable and customary compensation for its services in connection with the Exchange Right, will be reimbursed for certain out-of-pocket expenses and will be indemnified by Cardinal against certain liabilities under applicable securities laws and expenses in connection therewith. Except as set forth in this Information Circular, Cardinal will not pay any fees or commissions to any broker or dealer or any other person for soliciting deposits of Debentures for exchange.

### ***Book-Entry Transfer Procedures***

Registration of interests in and exchanges of Debentures may currently only be made through a book-entry only system administered by CDS. The existing 2020 Debentures are registered in the name of CDS & Co., the nominee of CDS, any and all transfers of the 2020 Debentures can be made only through the depository services of CDS through a participant in the depository service of CDS.

Accounts with respect to the Extended Debentures will be established at CDS for purposes of the Exchange Right. Any CDS Participant may make book-entry delivery of the 2020 Debentures through CDSX, CDS's on-line tendering system pursuant to which book-entry transfers may be effected by causing CDS to transfer such 2020 Debentures into the Exchange Agent's account in accordance with CDS's procedures for such transfer. Delivery of 2020 Debentures to the Exchange Agent by means of a book-entry transfer through CDSX will constitute a valid exercise of the Exchange Right. Debentureholders may exercise the Exchange Right for their 2020 Debentures by following the procedures for book-entry transfers established by CDS, provided that a book-entry confirmation through CDSX is received by the Exchange Agent prior to the Expiration Time.

All questions as to the validity, form, eligibility (including timely receipt) and exercise of the Exchange Right will be determined by Cardinal in its sole discretion. Electing 2020 Debentureholders agree that such determinations will be final and binding. Cardinal reserves the absolute right to reject any and elections which it determines not to be in proper form or which may be unlawful to accept under the laws of any jurisdiction. Cardinal reserves the absolute right to waive any defect or irregularity in the exercise of the Exchange Right by any Electing 2020 Debentureholder. There is no duty or obligation on the part of Cardinal or the Exchange Agent to give notice of any defects or irregularities in any exercise of the Exchange Right to an Electing 2020 Debentureholder and no liability will be incurred by any of them for not giving any such notice. All 2020 Debentures for which the Exchange Right has not been validly exercised be returned without cost to the Electing 2020 Debentureholder promptly by book-entry delivery through CDS to the accounts of the applicable CDS Participants, unless the irregularities and defects of that election are timely cured or waived.

The proper deposit of Debentures pursuant to the procedures described above will constitute a binding agreement between CDS, on behalf of the depositing Debentureholders, and Cardinal in accordance with the terms and conditions of the Exchange Right. Each such depositing Debentureholder shall, or shall be deemed to:

- (a) understand that, subject to and effective upon the Exchange Date of 2020 Debentures, interest upon such Electing 2020 Debentures shall cease and no interest shall accrue on any Electing 2020 Debentures on or after the Exchange Date;

- (b) have made the representations and warranties that: (i) its CDS Participant has full power and authority to deposit, sell, assign and transfer such Electing 2020 Debentures on its behalf; (ii) it owns such Electing 2020 Debentures free and clear of any hypothecs, mortgages, liens, charges, restrictions, security interests, claims, pledges, equitable interests and encumbrances of any nature or kind whatsoever and has not sold, assigned or transferred, or agreed to sell, assign or transfer, any of the Electing 2020 Debentures to any other person; and (iii) the deposit of the Electing 2020 Debentures complies with applicable securities laws;
- (c) have irrevocably constituted and appointed Cardinal, and any other persons designated by Cardinal in writing, as the true and lawful agents, attorneys and attorneys-in-fact of CDS, on behalf of such Debentureholder with respect to the Electing 2020 Debentures deposited therewith, with full power of substitution, in the name of and on behalf of CDS and the Debentureholder with respect to the Electing 2020 Debentures (such power of attorney being deemed to be an irrevocable power coupled with an interest):
  - (i) to register or record the cancellation of such Electing 2020 Debentures on the appropriate registers (as applicable);
  - (ii) to register or record the issuance of the Extended Debentures issued in exchange for the Electing 2020 Debentures not rescinded prior to the Expiration Time on the appropriate registers (as applicable); and
  - (iii) to exercise any other rights of a holder of 2020 Debentures.
- (d) have covenanted to execute, upon request, any additional documents, transfers and other assurances as may be necessary or desirable in connection with the foregoing or the Exchange Right in order to complete the exchange of the Electing 2020 Debentures;
- (e) have acknowledged that all authority conferred or agreed to be conferred by CDS and by the Debentureholder in respect of the Electing 2020 Debentures is, to the maximum extent permitted by law, irrevocable and coupled with an interest and shall survive the death or incapacity, bankruptcy or insolvency of CDS, and of the Debentureholder, and that all obligations of CDS and the Debentureholder in respect of the Electing 2020 Debentures herein shall be binding upon the heirs, executors, administrators, attorneys, personal representatives, successors and assigns of CDS and of the Debentureholder in respect of the Electing 2020 Debentures; and
- (f) have agreed and acknowledged that: (i) all questions as to the validity, eligibility (including time of receipt) and acceptance for exchange of any exchange of 2020 Debentures, will be determined by Cardinal, in its sole discretion, which determination will be final and binding on all parties; (ii) Cardinal reserves the absolute right to reject any or all deposits of Electing 2020 Debentures determined by it in its sole discretion not to be in proper form nor completed in accordance with the instructions set forth herein or the acceptance for payment of, or payment for, which may, in the opinion of Cardinal's counsel, be unlawful under the laws of any jurisdiction; (iii) Cardinal reserves the absolute right to waive any of the conditions of the Exchange Right or any defect or irregularity in any deposit of Electing 2020 Debentures; (iv) no deposit of Electing 2020 Debentures will be deemed to be properly made until all defects and irregularities have been cured or waived, and (v) Cardinal's interpretation of the terms and conditions of the Exchange Right will be final and binding on all parties. **There is no duty or obligation on the part of Cardinal or the Exchange Agent to give notice of any defects or irregularities in any deposit of Electing 2020 Debentures and no liability will be incurred by any of them for not giving any such notice.**

### ***Extension, Variation and Termination of the Exchange Right***

Pursuant to the provisions of the Supplemental Indenture, Cardinal will have the right, in its sole discretion, at any time or from time to time, to extend the period of time during which the Exchange Right is open, to vary the terms of the Exchange Right by giving written notice, of extension, variation or termination to the Exchange Agent and by causing the Exchange Agent to provide a copy of such notice to CDS. In addition, Cardinal expressly reserves the right, in its sole discretion, prior to the Expiration Time: (a) to not exchange and return all tendered 2020 Debentures to the holders thereof; and/or (b) at any time or from time to time, to vary the terms of the Exchange Right in any respect, subject to compliance with the Indenture, as amended by the Supplemental Indenture.

Promptly after giving notice of an extension, variation or termination to the Exchange Agent, Cardinal will make a public announcement of the extension or variation and provide or cause to be provided notice of such extension, variation or termination to the TSX and the applicable Canadian securities regulatory authorities. Without limiting the manner in which Cardinal may choose to make any public announcement, except as provided by applicable law, Cardinal will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release through its usual news wire service. Any notice of extension, variation or termination will be deemed to have been given and be effective on the day on which it is delivered or otherwise communicated by facsimile or electronic mail to the Exchange Agent at its principal office in Calgary, Alberta.

Where the terms of the Exchange Right are varied, the period during which Debentures may be deposited for exchange will not expire before 10 days after the date of the notice of variation. In the event of any variation, all 2020 Debentures previously deposited for exchange will remain tendered for exchange unless withdrawn.

### ***Notice***

Without limiting any other lawful means of giving notice, any notice to be given by Cardinal or the Exchange Agent under the Exchange Right will be deemed to have been properly given if it is mailed by first-class mail or delivered by an overnight delivery service to CDS, unless otherwise specified by applicable securities legislation. Cardinal understands that, upon receipt of any such notice, CDS will provide notice to its CDS Participants in accordance with the applicable CDS policies and procedures for the book-entry system then in effect.

These provisions apply notwithstanding any accidental omission to give notice and notwithstanding any interruption of mail services in Canada or the United States following mailing. In the event of an interruption of mail service following mailing, Cardinal will use reasonable efforts to disseminate the notice by other means, such as publication. If post offices are not open for deposit of mail, or there is reason to believe there is or could be a disruption in all or any part of the postal service, any notice which Cardinal or the Exchange Agent may give or cause to be given under the Exchange Right will be deemed to have been properly given and to have been received if it is issued by way of a news release using Cardinal's typical methods of dissemination.

### ***The Extended Debentures***

The Extended Debentures will be issued and created pursuant to the terms of the Supplemental Indenture. Their creation and issuance will be conditional on Debentureholder Approval of the Amendments.

The Extended Debentures will have a maturity date of December 31, 2022 and will bear interest at the rate of 8.00% per annum, payable in equal instalments semi-annually in arrears on June 30 and December 31 in each year. Interest on the Extended Debentures will begin to accrue on the Exchange Date. The first interest payment on the Extended Debentures will be made on December 31, 2020, which payment will include interest payable from and including the Exchange Date up to, but excluding, December 31, 2020. The Extended Debentures will be convertible into Common Shares at a Conversion Price (as defined in the Indenture) of \$1.25 per share. The Extended Debentures

may not be redeemed by the Company prior to December 31, 2020. On or after December 31, 2020, the Extended Debentures will be redeemable at the option of the Company at a redemption price equal to the principal amount of the Extended Debentures. Other than in respect of the above, the form and terms of the Extended Debentures will be substantially similar to the terms of the Indenture governing the 2020 Debentures.

*The following table provides a summary of some of the material terms and attributes of the Debentures. It is intended as a summary only and does not address all terms and attributes of the Debentures.*

	<b>2020 Debentures</b>	<b>Extended Debentures</b>
<b>Principal Amount:</b>	\$1,000 per 2020 Debenture	\$1,000 per Extended Debenture
<b>Maturity Date:</b>	December 31, 2020	December 31, 2022
<b>Interest Rate:</b>	5.50%	8.00%
<b>Interest Payment Dates:</b>	June 30 and December 31 each year	June 30 and December 31 each year
<b>Interest Payment Elections:</b>	Cardinal may elect to pay its interest obligations either (i) in cash, or by delivering to the Trustee sufficient Common Shares for sale on behalf of the Company, in which event the Debentureholders will be entitled to a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares	Cardinal may elect to pay its interest obligations either (i) in cash, or by delivering to the Trustee sufficient Common Shares for sale on behalf of the Company, in which event the Debentureholders will be entitled to a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares
<b>Conversion:</b>	Convertible into Common Shares at a conversion price of \$10.50 per Common Share	Convertible into Common Shares at a conversion price of \$1.25 per Common Share
<b>Security Ranking:</b>	Unsecured obligations of the Company	Unsecured obligations of the Company
<b>Redemption:</b>	Redeemable at any time prior to maturity at par	Not redeemable by the Company prior to December 31, 2020; after December 31, 2020, redeemable at par
<b>TSX Listing:</b>	The 2020 Debentures are currently listed on the TSX under the symbol "CJ.DB"	The TSX has conditionally approved the listing of the Extended Debentures under the symbol CJ.DB.A

### ***Interest Accruals and Interest Payment Dates***

Currently, pursuant to the terms of the Indenture, the 2020 Debentures bear interest at a rate of 5.50% per annum, payable in semi-annual instalments in arrears on June 30 and December 31 in each year. The next interest payment date on the 2020 Debentures will be June 30, 2020, irrespective of whether a Debentureholder has elected to exchange their 2020 Debentures pursuant to the Exchange Right prior to the June 30, 2020 interest payment date. An additional interest payment will be made on the Exchange Date on all Electing 2020 Debentures not withdrawn prior to the Expiration Time, which payment will include all accrued and unpaid interest from and including June 30, 2020 up to and but excluding the Exchange Date. Interest will not accrue or be payable after the Exchange Date for any Electing 2020 Debentures. In no circumstances will Cardinal pay additional interest on the Electing 2020 Debentures, even if there is a delay in making payment.

Pursuant to the terms of the Supplemental Indenture, the Extended Debentures will bear interest at a rate of 8.00% per annum, payable in equal semi-annual installments in arrears on June 30 and December 31 in each year. Interest will begin to accrue on the Extended Debentures on the Exchange Date, which is expected to be July 20, 2020. The first interest payment on the Extended Debentures will be made on December 31, 2020 and will include interest from and including the Exchange Date up to but excluding December 31, 2020.

*The following table provides a summary schedule of the interest payments and accruals up to the June 30, 2021 interest payment date for Electing 2020 Debentureholders, provided the Amendments are approved by the Debentureholders.*

<b>Interest Payment Date</b>	<b>Accrual Period</b>	<b>Applicable Interest Rate</b>	<b>Debentures</b>
June 30, 2020	December 31, 2019 – June 29, 2020	5.50%	2020 Debentures
Exchange Date	June 30, 2020 – day prior to Exchange Date	5.50%	2020 Debentures
December 31, 2020	Exchange Date – December 30, 2020	8.00%	Extended Debentures
June 30, 2021	December 31, 2020 – June 29, 2021	8.00%	Extended Debentures

### ***Change of Control***

Within 30 days following the occurrence of a Change of Control (as defined in the Indenture), the Company is required to make an offer to purchase the Debentures. In addition to the requirement for the Company to make a Debenture Offer, and subject to regulatory approval, in the event of a Change of Control in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash (other than cash payments for fractional Common Shares and cash payments made in respect of dissenters' appraisal rights); (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a stock exchange, during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the debenture offer is delivered holders of Debentures may elect to convert their Debentures and, subject to certain limitations, receive, subject to and upon completion of the Change of Control, in addition to the number of Common Shares they would otherwise

be entitled to receive, an additional number of Common Shares per \$1,000 principal amount of Debentures as set out in the Indenture.

Pursuant to the Amendments and as a consequence of the reduction in the Conversion Price, the number of additional Common Shares per \$1,000 principal amount of Extended Debentures constituting the relevant make-whole premium will also be amended as set forth in the Supplemental Indenture.

### Stock Exchange Listings

The TSX has conditionally approved the listing of the Extended Debentures, and the Common Shares issuable on the conversion, redemption and maturity of the Extended Debentures or pursuant to the Indenture. Subject to the Company fulfilling all of the requirements of the TSX, the Extended Debentures will trade on the TSX under the symbol CJ.DB.A following the Exchange Date.

The 2020 Debentures are listed and posted for trading on the TSX under the trading symbol "CJ.DB". It is expected that the 2020 Debentures will continue to be listed on the TSX following the Amendments. However, if, as a result of the Amendments and the exercise of the Exchange Right, the market value of then outstanding 2020 Debentures (excluding the Extended Debentures) falls below \$2,000,000, such 2020 Debentures may be de-listed. See "*Risks Related to the Amendments.*"

The Indenture currently requires Cardinal to maintain the listing of the 2020 Debentures on the TSX. Accordingly, as part of the consequential amendments forming part of the Amendments, the Supplemental Indenture provides that Cardinal will not be required to maintain a listing of the Debentures on the TSX if the exercise of the Exchange Right results in the 2020 Debentures no longer meeting the listing requirements of the TSX.

The closing price of the 2020 Debentures on May 22, 2020, the last full trading day on the TSX before the date of this Information Circular, the closing price of the 2020 Debentures was \$45.50 for each \$100 principal amount of 2020 Debenture and the closing price of the Common Shares was \$0.50.

The following table sets forth the high and low trading prices and the aggregate volume of trading of the 2020 Debentures (per \$100 principal amount of 2020 Debentures), as reported by the TSX for the periods indicated.

<b>Period</b>	<b>High, \$</b>	<b>Low, \$</b>	<b>Volume</b>
<b>2019</b>			
May	98.75	92.01	2,060
June	98.50	95.99	3,475
July	98.85	92.00	3,840
August	99.00	97.00	7,510
September	99.00	98.00	17,070
October	99.49	98.01	6,280
November	99.40	97.03	13,080
December	100.30	97.00	5,510
<b>2020</b>			
January	100.69	99.53	5,702
February	100.03	99.00	20,750
March	99.50	25.00	6,150
April	50.00	25.00	8,330
May (1-22)	45.50	29.50	3,090

The following table sets forth the high and low trading prices and the aggregate volume of trading of the Common Shares, as reported by the TSX for the periods indicated.

<b>Period</b>	<b>High, \$</b>	<b>Low, \$</b>	<b>Volume</b>
<b>2019</b>			
May	3.14	2.41	8,938,444
June	2.67	2.24	4,999,541
July	2.59	2.19	7,573,388
August	2.46	2.01	7,054,042
September	2.83	2.15	6,037,817
October	2.52	1.92	6,255,560
November	2.19	2.03	8,949,748
December	2.65	1.93	8,673,953
<b>2020</b>			
January	2.91	2.30	9,728,755
February	2.47	1.77	8,076,701
March	1.99	0.30	20,024,547
April	0.66	0.36	11,928,907
May (1-22)	0.58	0.42	7,696,983

## CERTAIN INCOME TAX CONSEQUENCES OF THE AMENDMENTS

### Certain Canadian Federal Income Tax Considerations

The following summary describes the principal Canadian federal income tax considerations in respect of, arising from and relating to the Amendments generally applicable to a Debentureholder who, for purposes of the Tax Act, and at all relevant times, deals at arm's length with and is not affiliated with the Company, and holds 2020 Debentures as capital property (a "**Holder**"). 2020 Debentures will generally be considered to be capital property to a Holder unless the Holder holds such 2020 Debentures in the course of carrying on a business or the Holder acquired such 2020 Debentures in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Canadian resident Holders whose 2020 Debentures might not otherwise be considered capital property may, in certain circumstances, make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have the 2020 Debentures and all other "Canadian Securities", as defined in the Tax Act, owned by such Holder in the taxation year, and in all subsequent taxation years, deemed to be capital property. Holders should consult with their own tax advisors if they contemplate making such an election.

This summary is based upon the current provisions of the Tax Act, counsel's understanding of existing case law and the published administrative practices of the Canada Revenue Agency ("**CRA**"). This summary also takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that all Tax Proposals will be enacted in the form proposed. This summary is not exhaustive of all possible Canadian federal income tax considerations nor does it take into account or consider other federal or any provincial, territorial or foreign tax considerations.

This summary is not applicable to: (a) a Holder that is a "financial institution" (for the purposes of the "mark-to-market" rules) or a "specified financial institution", each as defined in the Tax Act; (b) a Holder an interest in which would be a "tax shelter investment" within the meaning of the Tax Act; (c) a Holder whose "functional currency" for the purposes of the Tax Act is the currency of a country other than Canada; or (d) a Holder that has entered into or will enter into a "derivative forward agreement" or "synthetic disposition arrangement", each as defined in the Tax

Act with respect to the 2020 Debentures within the meaning of the Tax Act. Such Holders should consult their own tax advisors.

No legal opinion from counsel or advance income tax ruling from the CRA has been requested, or obtained to confirm the tax consequences to Debentureholders of the Amendments. This summary is not binding on the CRA, and the CRA is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the CRA and the Canadian courts could disagree with one or more of the positions taken in this summary.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Debentureholder. Debentureholders are urged to consult their own tax advisors for advice regarding the income tax consequences to them of disposing of their Debentures having regard to their own particular circumstances.**

#### ***Holdings Resident in Canada***

The following portion of the summary is generally applicable to a Holder who, for purposes of the Tax Act and any applicable income tax treaty or convention, and at all relevant times, is resident or deemed to be resident in Canada (a "**Resident Holder**"), and who exchanges a 2020 Debenture for an Extended Debenture pursuant to the Exchange Right.

#### *Amendment of the 2020 Debentures*

It is not certain whether the Amendments would result in a disposition of the 2020 Debentures for Canadian tax purposes. Canadian jurisprudence has held that the amendment of one or more fundamental terms of a debt instrument can result in the creation of a new debt obligation in some circumstances, and for certain purposes. The CRA has stated that it is a question of fact whether a new obligation is created. Thus, there can be no assurance that the CRA would treat the Amendments as a disposition of the 2020 Debentures, or that a Canadian court would agree with the CRA's position. Each Resident Holder should consult its own tax advisor regarding the proper treatment of the Amendments for Canadian tax purposes.

In the event that the Amendments do not cause a disposition of the 2020 Debentures, then a Resident Holder will not be considered to have disposed of any property for tax purposes, and will have no adverse Canadian tax consequences at the time the Amendments become effective.

In the event that the Amendments do cause a disposition of the 2020 Debentures, a Resident Holder will be deemed to have received proceeds of disposition equal to the fair market value of the 2020 Debentures owned by the Resident Holder at the time the Amendments become effective. The Resident Holder will recognize a capital gain (or loss) on the disposition equal to the amount by which the Resident Holder's proceeds of disposition, net of any reasonable costs of disposition, are greater than (or less than) the adjusted cost base to the Resident Holder of the 2020 Debentures owned at the time the Amendments become effective. See "*Taxation of Capital Gains and Losses*" below. In such a case, the cost of the 2020 Debentures to the Resident Holder immediately after the time the Amendments become effective will be equal to the fair market value of the 2020 Debentures at that time.

#### *Exchange of 2020 Debentures Pursuant to the Exchange Right*

Generally, a Resident Holder will be deemed to have disposed of the 2020 Debenture for proceeds of disposition equal to the Resident Holder's adjusted cost base in the 2020 Debenture immediately before the exchange. The aggregate cost to a Resident Holder of the Extended Debentures acquired on an exchange will generally be equal to

the aggregate of the Resident Holder's adjusted cost base of the exchanged 2020 Debentures immediately before the exchange.

A Resident Holder will be required to include in computing its income for the taxation year in which the exchange occurs any interest that has accrued or deemed to accrue on the 2020 Debentures to the Expiration Date to the extent that such interest was not otherwise included in computing the Resident Holder's income for that taxation year or a preceding taxation year.

#### *Interest on Extended Debentures*

A Resident Holder that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will generally be required to include in computing its income for a taxation year all interest (and amounts that are considered for the purposes of the Tax Act to be interest) on the Extended Debentures that accrues or is deemed to accrue to the Resident Holder to the end of the particular taxation year or that has become receivable by or is received by the Resident Holder before the end of that taxation year, including on a conversion, redemption or repayment at maturity, except to the extent that such interest (or amount considered to be interest) was included in computing the Holder's income for a preceding taxation year.

Any other Resident Holder, including an individual, will be required to include in computing income for a taxation year all interest (and amounts that are considered for the purposes of the Tax Act to be interest) on the Extended Debentures that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a conversion, redemption or repayment at maturity, except to the extent that the interest (or amount considered to be interest) was included in the Resident Holder's income for a preceding taxation year. In addition, if at any time an Extended Debenture should become an "investment contract" (as defined in the Tax Act) in relation to the Resident Holder, such Resident Holder will be required to include in computing income for a taxation year any interest that accrues to the Resident Holder on the Extended Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year except to the extent such interest was otherwise included in the Resident Holder's income for that year or a preceding year.

A Resident Holder that throughout the relevant taxation year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a tax, refundable in certain circumstances, on its "aggregate investment income", which is defined in the Tax Act to include interest income.

Cardinal may elect to pay interest on the Extended Debentures by issuing Common Shares to the Debenture Trustee for sale, in which event a Resident Holder would be entitled to a cash payment from the proceeds of sale of such Common Shares by the Debenture Trustee. If Cardinal were to satisfy an Interest Obligation in this manner, the Canadian federal income tax consequences to a Resident Holder would not differ from those described above.

#### *Exercise of the Conversion Privilege on Extended Debentures*

A Resident Holder of Extended Debentures that converts an Extended Debenture into Common Shares (or Common Shares and cash in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Extended Debenture, and accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion.

Under the current administrative practice of the CRA, a Resident Holder who, upon conversion of an Extended Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Extended Debenture, thereby realizing a capital gain (or a capital loss), or reduce the adjusted cost base of the Common Shares that the Resident Holder receives upon conversion by the amount of the cash received.

The aggregate cost to a Resident Holder of the Common Shares acquired upon exercise of such holder's right to convert an Extended Debenture generally should be equal to the aggregate of the adjusted cost base to the Resident Holder of the Extended Debenture immediately before the conversion, minus any reduction of adjusted cost base for cash received in lieu of fractional shares as discussed above. Generally, the adjusted cost base to a Resident Holder of Common Shares at any time should be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at such time.

Upon conversion of an Extended Debenture, interest thereon should be included in computing the income of the Resident Holder as described above under "*Holders Resident in Canada – Interest on Extended Debentures*".

#### *Other Disposition of Extended Debentures*

A disposition or deemed disposition of an Extended Debenture by a Resident Holder, including a redemption, payment on maturity or purchase for cancellation (but not including by the conversion of an Extended Debenture into Common Shares pursuant to the Resident Holder's conversion privilege as described above), generally should result in the Resident Holder realizing a capital gain (or, subject to certain rules in the Tax Act, a capital loss) equal to the amount by which the proceeds of disposition, net of any amount otherwise required to be included in the Resident Holder's income as interest, exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) should be subject to the tax treatment described below under "*Holders Resident in Canada – Taxation of Capital Gains and Capital Losses*".

If Cardinal pays any amount upon the redemption, purchase or maturity of an Extended Debenture by issuing Common Shares to the Resident Holder, the Resident Holder's proceeds of disposition of the Extended Debenture will be equal to the fair market value, at the time of disposition of the Extended Debenture, of the Common Shares and any other consideration so received, but not including amounts in respect of interest, as described below. The Resident Holder's adjusted cost base of the Common Shares so received will be equal to the fair market value of such Common Shares. For the purposes of determining the adjusted cost base to a Resident Holder of Common Shares so received at any time, the cost of such Common Shares will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Resident Holder as capital property at that time.

Upon a disposition or deemed disposition of an Extended Debenture, interest thereon should be included in computing the income of the Resident Holder as described above under "*Holders Resident in Canada – Interest on Extended Debentures*", and should be excluded in computing the Resident Holder's proceeds of disposition of the Extended Debenture.

#### *Taxation of Capital Gains and Losses*

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in the year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and in the circumstances described in the Tax Act.

Capital gains realized by an individual or by most trusts may give rise to alternative minimum tax under the Tax Act. In addition, Canadian-controlled private corporations (as defined in the Tax Act) may be subject to an additional refundable tax on certain investment income, including interest and taxable capital gains.

### *Eligibility for Investment*

The Extended Debentures issued on in exchange for 2020 Debentures will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans (except in the case of Extended Debentures, a deferred profit sharing plan to which we, or an employer that does not deal at arm's length with us, has made a contribution), registered education savings plans, registered disability savings plans and tax-free savings accounts ("**TFSAs**" and collectively, "**Deferred Plans**").

Notwithstanding that the Extended Debentures may be a "qualified investment", individuals who hold the Extended Debentures through a trust governed by a TFSA, RRSP or RRIF, will be subject to a penalty tax if the Extended Debentures are a "prohibited investment" within the meaning of the Tax Act for that TFSA, RRSP or RRIF, as the case may be. The Extended Debentures will generally not be a "prohibited investment" provided the individual: (i) deals at arm's length with us for purposes of the Tax Act; and (ii) does not have a "significant interest" (as defined in the Tax Act) in us. Resident Holders who hold their Extended Debentures in a trust governed by a TFSA, RRSP or RRIF are advised to consult their own tax advisors regarding the "prohibited investment" rules having regard to their own particular circumstances.

### ***Holders Not Resident in Canada***

The following portion of the summary is generally applicable to a Holder who, for the purposes of the Tax Act and any applicable income tax treaty or convention, and at all relevant times for purposes of the Tax Act: (a) is not and is not deemed to be a resident of Canada, (b) does not use or hold, and is not deemed to use or hold, Debentures in connection with carrying on a business in Canada, (c) deals at arm's length a transferee who is resident or deemed to be resident in Canada, (d) is not a "specified non-resident shareholder" of the Company and deals at arm's length with "specified shareholders" of the Company, each as defined in subsection 18(5) of the Tax Act (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, apply to a non-resident that is an insurer carrying on business in Canada and elsewhere, or an "authorized foreign bank" as defined in the Tax Act.

### *Disposition of 2020 Debenture pursuant to Amendments or Exchange Right*

A Non-Resident Holder of a 2020 Debenture will not be subject to tax under the Tax Act in respect of any capital gain (and will not be entitled to deduct any amount in respect of any capital loss) realized on the disposition of a 2020 Debenture under either the Amendments or the exercise of the Exchange Right unless such 2020 Debenture constitutes "taxable Canadian property" to the Non-Resident Holder and does not constitute "treaty-protected property". See "*Taxable Canadian Property*".

Additionally, subject to the discussion set out below, a Non-Resident Holder should not be subject to withholding tax under the Tax Act in respect of interest (including (i) interest paid to a Non-Resident Holder, (ii) interest which has accrued on the 2020 Debentures to the date of disposition, and (iii) amounts deemed to be interest (see "*Holders Resident in Canada – Exchange of 2020 Debentures Pursuant to the Exchange Right*") paid to the Non-Resident Holder on their disposition of a 2020 Debenture pursuant to the Amendments or the exercise of the Exchange Right.

Generally, no Canadian withholding tax is payable under the Tax Act on interest paid or credited to non-residents of Canada with whom the payer deals at arm's length.

However, Canadian withholding tax continues to apply to payments of interest that constitute "participating debt interest". By virtue of the fact that the 2020 Debentures are convertible into Common Shares of the Company, there is a risk that the interest paid to a Non-Resident Holder, the interest which has accrued on the 2020 Debentures to the date of disposition, and other amounts deemed to be interest on a 2020 Debenture could be held to come within

the classification of participating debt interest, in which case it would be subject to Canadian withholding tax. If the interest is considered participating debt interest, then the interest would be subject to Canadian withholding tax at a rate of 25%, or such lower rate as may be provided under the terms of an applicable tax treaty. Under the US Treaty, the rate of withholding tax would be reduced to 15%.

#### *Exercise of Conversion Privilege on the Extended Debentures*

Generally, the conversion of an Extended Debenture into only Common Shares on the exercise of a conversion privilege by a Non-Resident Holder will be deemed not to constitute a disposition of the Extended Debenture, and, accordingly, a Non-Resident Holder will not recognize a gain or loss on such conversion (even if the Extended Debenture constitutes "taxable Canadian property" of the Non-Resident Holder at the time of the conversion). On the conversion of an Extended Debenture by a Non-Resident Holder into Common Shares and cash in lieu of a fraction of such Common Shares, if such Common Shares constitute "taxable Canadian property" to the Non-Resident Holder, as discussed below, and if the value of such cash does not exceed \$200, under the current administrative practice of the CRA, the Non-Resident Holder may choose to (i) treat this amount as proceeds of disposition and calculate and report a gain or loss and pay tax in Canada subject to relief under the Tax Treaty, or (ii) reduce, by the amount of cash received, the adjusted cost of such Common Shares received.

#### *Other Disposition of Extended Debentures*

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition or deemed disposition of an Extended Debenture unless the Non-Resident Holder's Extended Debentures are, or are deemed to be, "taxable Canadian property" (as defined in the Tax Act) to the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country of residence of the Non-Resident Holder. See the section below entitled "*Taxable Canadian Property*".

#### *Taxable Canadian Property*

Generally, neither a 2020 Debenture nor an Extended Debenture (in this section, each will be referred to as a "**Debenture**") will be taxable Canadian property to a Non-Resident Holder at the time of disposition provided that: (a) the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm's length, or the Non-Resident Holder together with such persons, did not own 25% or more of the issued Common Shares at any time during the 60-month period immediately preceding that time; and (b) such Debentures are not deemed to be taxable Canadian property for purposes of the Tax Act. Even if the Debentures are taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of Debentures will not be included in computing the Non-Resident Holder's income for the purposes of the Tax Act if the Debentures constitute "treaty-protected property". Debentures owned by a Non-Resident Holder will generally be treaty-protected property if the gain from the disposition of such Debentures would, because of an applicable income tax treaty, be exempt from tax under the Tax Act. In the event that Debentures constitute taxable Canadian property but not treaty-protected property to a particular Non-Resident Holder, the tax consequences as described above under "*Holders Resident in Canada*" will generally apply. A Non-Resident Holder who disposes of taxable Canadian property must file a Canadian income tax return for the year in which the disposition occurs, regardless of whether the Non-Resident Holder is liable for Canadian tax on any gain realized as a result.

#### **Certain Other Tax Considerations**

The Information Circular does not contain a summary of the non-Canadian income tax considerations of the Amendments for Debentureholders who are subject to income tax outside of Canada. Such Debentureholders should

consult their own tax advisors with respect to the tax implications of the Amendments, including any associated filing requirements in such jurisdictions.

## **RISKS RELATED TO THE AMENDMENTS**

### **Market for Debentures**

The 2020 Debentures currently trade on the TSX and the TSX has conditionally approved the listing of the Extended Debentures. However, no assurance can be given that an active or liquid trading market for the 2020 Debentures or the Extended Debentures will develop, continue or be sustained. If an active or liquid market for the 2020 Debentures or the Extended Debentures fails to be sustained, the prices at which the 2020 Debentures and/or the Extended Debentures trade may be adversely affected. Whether or not the Debentures will trade at lower prices depends on many factors, including the liquidity of the 2020 Debentures or the Extended Debentures, prevailing interest rates and the markets for similar securities, the market price of the Common Shares, general economic conditions and the Company's financial condition, historic financial performance and future prospects.

The exercise of the Exchange Right could reduce the liquidity of the 2020 Debentures that are not exchanged. It is expected that the 2020 Debentures will continue to be listed on the TSX following the Amendments. However, depending on how many 2020 Debentures are exchanged pursuant to exercise of the Exchange Right, there is a possibility that the 2020 Debentures may no longer meet the listing requirements of the TSX and may be delisted from the TSX. It is expected that the Extended Debentures will be listed on the TSX following the Amendments. Depending on how many 2020 Debentures are exchanged for Extended Debentures pursuant to the Exchange Right, there is a possibility that the Extended Debentures will not meet the listing requirements of the TSX and will not be granted listing approval.

The Indenture currently requires the Company to use reasonable commercial efforts to maintain the listing of the 2020 Debentures on the TSX. Accordingly, as part of the consequential amendments forming part of the Amendments, the Supplemental Indenture provides that Cardinal will not be required to maintain a listing of the 2020 Debentures on the TSX if the exercise of the Exchange Right results in the 2020 Debentures no longer meeting the listing requirements of the TSX.

### **Repayment of the Debentures**

The 2020 Debentures mature and the principal amount of the 2020 Debentures becomes due on December 31, 2020. The Company expects that it will be unable to draw on its Credit Facility in order to repay the principal of the 2020 Debentures.

The ability of Cardinal to make scheduled payments on or refinance its debt obligations, including the Debentures, depends on Cardinal's financial condition and operating performance, which are subject to a number of factors beyond Cardinal's control. Cardinal may be unable to maintain a level of cash flow from operating activities sufficient to permit Cardinal to pay the principal, premium, if any, and interest on its indebtedness, including the Debentures.

If Cardinal's cash flow from operating activities and capital resources are insufficient to fund its debt service obligations, Cardinal could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness, including the Debentures. Cardinal may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow Cardinal to meet its scheduled debt service obligations.



Cardinal's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms or at all, would materially and adversely affect Cardinal's business, results of operations, financial condition and its ability to satisfy its obligations under the Debentures.

The Debentures are subordinate to all senior indebtedness of, and to any indebtedness of trade creditors of, the Company, including the Credit Facility. In the event of the Company's insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, its assets would be made available to satisfy the obligations of the creditors of such senior indebtedness before being available to pay the Company's obligations to the holders of the 2020 Debentures or the Extended Debentures. Additionally, the Indenture does not, and the Supplemental Indenture will not, restrict the Company or any of its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its assets to secure any indebtedness. Accordingly, all or a substantial portion of the Company's assets could be unavailable to satisfy the claims of the holders of the Debentures.

### **Redemption Prior to Maturity**

The 2020 Debentures may be redeemed, at the option of the Company prior to the maturity date at any time and from time to time, in the circumstances and at the redemption prices set forth in the Indenture, together with any accrued and unpaid interest up to but excluding the redemption date. The Extended Debentures may be redeemed, at the option of the Company, prior to the maturity date at any time after December 31, 2020, in the circumstances and at the redemption prices set forth in the Supplemental Indenture. Holders of Debentures should assume that this redemption option, when available, will be exercised if the Company is able to refinance at a lower interest rate or it is otherwise in the interest of the Company to redeem the Debentures. The Company may determine to redeem outstanding Debentures for Common Shares or repay outstanding principal amounts of the Debentures at maturity by issuing additional Common Shares which could negatively affect the market price of the Common Shares.

### **Certain Consequences if the Amendments are not approved by Debentureholders**

If the Extraordinary Resolution is not approved by the Debentureholders at the Meeting, or any adjournment thereof, the Company will consider the alternatives available to it to address the maturity of the 2020 Debentures. The options may include arranging for alternate debt financing in order to fund the pay-out in cash of the principal amount together with the accrued and unpaid interest thereon and/or satisfying the obligation to pay the amount owing on the maturity date, in whole or in part, through the issuance of Common Shares. The Company may consider paying-out all of the 2020 Debentures through the exercise of the Share Redemption Right (as defined in the Indenture) on the maturity date. Under the Share Redemption Right, the number of Common Shares issuable would be determined by dividing the principal amount of the 2020 Debentures being redeemed by 95% of the then Current Market Price (as defined in the Indenture) of the Common Shares, as determined in accordance with the Indenture, on the maturity date. This would result in dilution of existing shareholders' interest in the Company which could negatively affect the market price of the Common Shares.

### Risks to Approving the Extraordinary Resolution

To the extent that Debentureholders vote in favour of the Extraordinary Resolution, Debentureholders may ultimately find that the Company is unable to repay the Debentures at their respective maturity date. Following the maturity date of the existing 2020 Debentures but before the maturity date of the Extended Debentures, the Company may become subject to a bankruptcy or similar proceeding. If so, Debentureholders may have been paid in full, had they not voted in favour of the Extraordinary Resolution and exercised the Exchange Right. If Debentureholders vote in favour of the Extraordinary Resolution and elect to exchange their 2020 Debentures pursuant to the Exchange Right, Debentureholders will be exposed to the risk of nonpayment for a longer period of time.

### Debentureholder Vote

The Indenture permits holders of 66⅔% of the Debentureholders represented at the Meeting to approve the Extraordinary Resolution. The quorum requirement for the Meeting is 25% of all outstanding principal amount of Debentures; therefore, the Extraordinary Resolution can be approved with the support of only 16.67% of the Debentureholders.

## ADDITIONAL MATERIALS

The additional materials provided to Debentureholders concurrently with this Information Circular entitled "Proposed Debenture Amendments" dated May 2020 and filed on SEDAR concurrently with this Information Circular (including any amendments to, or an amended version thereof) is deemed to be incorporated by reference into this Information Circular.

## INFORMATION CONCERNING THE MEETING

### Purpose of the Meeting

**The information contained in this Information Circular is furnished in connection with the solicitation of proxies by the management of Cardinal for use at the Meeting.** At the Meeting, Debentureholders will consider and vote upon the Extraordinary Resolution and such other business as may properly come before the Meeting.

**Following a review and analysis of the Amendments and consideration of other available alternatives and based upon the recommendation of the Special Committee and other relevant factors considered by the Cardinal Board, the Cardinal Board has unanimously determined that the Amendments are in the best interests of Cardinal and the Debentureholders. The Cardinal Board unanimously recommends that Debentureholders vote in favour of the Extraordinary Resolution.** See "*The Amendments – Background to the Amendments*" and "*The Amendments – Reasons for and Anticipated Benefits of the Amendments*" and "*The Amendments – Recommendation of the Cardinal Board*".

### **Date, Time and Place of Meeting**

The Meeting will be held at the offices of Burnet, Duckworth & Palmer LLP at Suite 2400, 525-8<sup>th</sup> Avenue S.W., Calgary, Alberta at 9:00 a.m. (Calgary time) on June 19, 2020 for the purposes set forth in the accompanying Notice of Extraordinary Meeting of Debentureholders. The purpose of the Meeting is for Debentureholders to consider and, if deemed advisable, approve the Extraordinary Resolution.

**Cardinal intends to hold the Meeting in person. However, Cardinal may take precautionary measures in relation to the Meeting in response to developments with the COVID-19 pandemic. In the event it is not possible or advisable to hold the Meeting in person, the Company will announce alternative arrangements for the Meeting as promptly as practicable, which may include delaying the Meeting or holding the Meeting entirely by electronic means, telephone or other communication facilities. Please monitor Cardinal's website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca) for updated information.**

Only Debentureholders whose names have been entered in the registers of holders of 2020 Debentures on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment thereof. The quorum requirements of the Indenture will be satisfied by the presence in person or by proxy of Debentureholders representing at least 25% of the principal amount of 2020 Debentures outstanding on the date of the Meeting. If a quorum is not present in person or by proxy within 30 minutes after the appointed time of the Meeting, the Meeting will be adjourned to a date that is not less than 14 nor more than 60 days later, and at such place and time as may be appointed by the chairman of the Meeting, provided that at least 10 days' notice is provided for such meeting. At the adjourned meeting, the Debentureholders present in person or represented by proxy shall constitute a quorum, even if they hold less than 25% of the outstanding principal amount of the 2020 Debentures. If the quorum requirements for the Meeting are not met, Cardinal intends to adjourn the Meeting to 9:00 a.m. on July 3, 2020 at the same place.

### **Solicitation of Proxies**

This Information Circular is provided in connection with the solicitation of proxies by the management of Cardinal for use at the Meeting for the purposes set forth in the accompanying Notice of Extraordinary Meeting of Debentureholders. Solicitations of proxies will be primarily by mail, but may also be in person or by telephone, fax or oral communication by directors, officers, employees and/or agents of Cardinal, including by proxy solicitation agents that may be specifically retained for such purpose. All costs of the solicitation for the Meeting will be borne by Cardinal, and Cardinal will reimburse Broadridge and intermediaries for the reasonable fees and costs incurred by them in mailing soliciting materials to Beneficial Debentureholders. Also see "*Advice to Beneficial Debentureholders*" below.

### **Information for U.S. Debentureholders**

The solicitation of proxies for the Meeting is not subject to the requirements of Section 14(a) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States with respect to securities of a Canadian issuer in accordance with Canadian corporate and securities laws. Debentureholders in the United States should be aware that such laws are different from those of the United States applicable to registration statements under the United States Securities Act of 1933, as amended, and proxy statements under the Exchange Act. In addition, tax considerations applicable to persons subject to U.S. taxation have not been included in this Information Circular and there may be material United States tax consequences for persons subject to U.S. taxation in connection with the exchange. Such Debentureholders should consult their tax advisors to determine the particular tax consequences to them in connection with the exchange.

### Voting Rights and Appointment of Proxies

As at the date hereof, \$44,451,000 aggregate principal amount of 2020 Debentures issued and outstanding. Each \$1,000 principal amount of 2020 Debentures entitles the holder of record as at the close of business on the Record Date to one vote at the Meeting. **All of the Debentures are registered under the name of CDS & Co. (the registration name for CDS). Accordingly, in order for a Beneficial Debentureholder to vote its 2020 Debentures FOR or AGAINST the Extraordinary Resolution, it must complete and sign the applicable instrument of proxy or other voting instruction form provided by its broker or other intermediary and return such instrument of proxy or other voting instruction form in accordance with the instructions provided therein well in advance of the Meeting. Failure to do so will result in your 2020 Debentures not being voted at the Meeting. See "Advice to Beneficial Debentureholders".**

### Revocation of Proxies

At any time prior to a vote, a Beneficial Debentureholder may revoke a proxy or voting instruction form provided by its broker or other intermediary in accordance with the instructions provided therein.

### Voting of Proxies

The 2020 Debentures represented by the accompanying form of proxy will be voted in accordance with the instructions of the Debentureholder on any ballot that may be called for, and if the Debentureholder specifies a choice with respect to any matter to be acted upon, the 2020 Debentures will be voted accordingly. **In the absence of such direction, 2020 Debentures represented by proxies will be voted FOR the Extraordinary Resolution.**

The accompanying form of proxy confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice, or other matters which may properly come before the Meeting. At the time of printing this Information Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

### Advice to Beneficial Debentureholders

**The information set forth in this section is of significant importance to all Debentureholders, as all of the Debentures are registered in the name of CDS and are held through brokers, intermediaries, trustees or other persons.** Without specific instructions, a broker, intermediary, trustee, other person or nominee is prohibited from voting Debentures for its clients.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Debentureholders in advance of securityholder meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Debentureholders in order to ensure that their 2020 Debentures are voted at the Meeting. The voting instruction form supplied to a Beneficial Debentureholder is similar to the instrument of proxy provided to registered Debentureholders by Cardinal; however, its purpose is limited to instructing the registered Debentureholder (the broker or the agent of the broker) how to vote on behalf of the Beneficial Debentureholder. The majority of brokers now delegate responsibility for obtaining voting instructions from clients to Broadridge. Broadridge typically mails a scannable voting instruction form instead of the form of Instrument of Proxy. The Beneficial Debentureholder is asked to complete the voting instruction form and return it to Broadridge by mail or facsimile. Alternatively, the Beneficial Debentureholder may call a toll-free number to vote the 2020 Debentures held by the Beneficial Debentureholder or vote online. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of the 2020 Debentures to be represented at the Meeting.



**A Beneficial Debentureholder receiving a voting instruction form cannot use that voting instruction form to vote 2020 Debentures directly at the Meeting, but rather a Beneficial Debentureholder must submit its voting instructions in accordance with the instructions in the voting instruction form.**

Although a Beneficial Debentureholder may not be recognized directly at the Meeting for the purposes of voting 2020 Debentures registered in the name of his broker (or agent of the broker), a Beneficial Debentureholder may attend the Meeting as proxyholder for the registered Debentureholder and vote the 2020 Debentures in that capacity. Beneficial Debentureholders who wish to attend the Meeting and indirectly vote their 2020 Debentures as proxyholders for the registered Debentureholder should enter their own names in the blank space on the voting instruction form provided to them and return the same in accordance with the instructions provided well in advance of the Meeting.

The Company will not send proxy-related materials directly to non-objecting Beneficial Debentureholders. Such materials will be delivered to objecting Debentureholders by Broadridge or through the non-objecting Beneficial Debentureholder's intermediary. Cardinal will pay the reasonable fees and costs of Broadridge or an objecting Beneficial Debentureholder's intermediary to deliver the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* of NI 54-101 to objecting Beneficial Debentureholders.

#### **Voting Securities and Principal Holders Thereof**

As of the date hereof, the directors and executive officers of Cardinal are not aware of any person or company that beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to the Debentures or any class of voting securities of the Company.

#### **Quorum**

A quorum at the Meeting is that number of Debentureholders present in person or by proxy representing not less than 25% of the aggregate principal amount of 2020 Debentures then outstanding. If a quorum is not present in person or by proxy within 30 minutes after the appointed time of the Meeting, the Meeting will be adjourned shall be adjourned to a date that is not less than 14 nor more than 60 days later, and at such place and time as may be appointed by the chairman of the Meeting, provided that at least 10 days' notice is provided for such meeting. At the adjourned meeting, the Debentureholders present in person or represented by proxy shall constitute a quorum, even if they hold less than 25% of the outstanding principal amount of the 2020 Debentures. If the quorum requirements for the Meeting are not met, Cardinal intends to adjourn the Meeting to 9:00 a.m. on July 3, 2020 at the same place.

#### **Other Business**

Management of Cardinal does not intend to present and does not have any reason to believe that others will present any item of business other than those set forth in this Information Circular at the Meeting. However, if any other business is properly presented at the Meeting and may properly be considered and acted upon, proxies will be voted by those named in the form of proxy in their sole discretion, including with respect to any amendments or variations to the matters identified in this Information Circular.

## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

None of the Company's directors or officers, or any person who has held such a position since the beginning of the Cardinal's last completed financial year, nor any associate or affiliate of the foregoing persons, has any substantial

or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than as disclosed herein.

As of the date hereof, Messrs. Brussa, Ratushny and Tisdale beneficially own or control, directly or indirectly, \$400,000, \$15,000 and \$70,000 principal amount of the 2020 Debentures, representing approximately 1% of the aggregate outstanding 2020 Debentures. To our knowledge, as of the date hereof, no other director and officer of the Company beneficially owns or controls, directly or indirectly, any outstanding 2020 Debentures. Messrs. Brussa, Ratushny and Tisdale have expressed their intention to cause such 2020 Debentures to be voted in favour of the Amendments and exchanged for Extended Debentures.

In December 2018, the Company announced a normal course issuer bid ("**NCIB**") whereby Cardinal could purchase up to \$5.0 million aggregate principal amount of the 2020 Debentures, subject to certain conditions. In the first quarter of 2019, the Company repurchased and cancelled the maximum number of 2020 Debentures at an average rate of 96.9314 and for a gain of \$0.2 million. The NCIB was renewed on December 18, 2019 with an expiry of December 18, 2020. In the renewed NCIB, the Company can purchase up to \$4.5 million aggregate principal of the 2020 Debentures subject to certain conditions. In 2020, the Company has repurchased and cancelled \$0.5 million of 2020 Debentures for \$0.2 million at an average rate of 31.07.

During the previous 24 months, to the knowledge of management of the Company, no prior valuations have been made in respect of the Company relating to the 2020 Debentures.

During the previous 24 months, the Company has not received any prior formal offers relating to the 2020 Debentures, or other offers that are otherwise relevant to the Amendments.

## **INTEREST OF INFORMED PERSONS AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed herein, there were no material interests, direct or indirect, of directors or executive officers of the Company, of any shareholder who beneficially owns or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) or any known associate or affiliate of such persons, in any transaction since the commencement of the most recently completed financial year of the Company or in any proposed transaction which has materially affected, or would materially affect, the Company or any of its subsidiaries.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative audited financial statements and related management's discussion and analysis for the year ended December 31, 2019 and the three months ended March 31, 2020. To receive a copy of these financial statements and related management's discussion and analysis please contact us at Suite 600, 400 – 3rd Avenue S.W., Calgary, Alberta T2P 4H2. This information and additional information relating to us may also be accessed on Cardinal's website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **APPROVAL**

This Information Circular and the delivery thereof to Debentureholders has been approved and authorized by the Cardinal Board.

## APPENDIX A

### EXTRAORDINARY RESOLUTION

BE IT RESOLVED AS AN EXTRAORDINARY RESOLUTION THAT:

1. the amendments to the trust indenture dated October 6, 2015 (the "**Indenture**") between Cardinal Energy Ltd. ("**Cardinal**") and Computershare Trust Company of Canada (the "**Trustee**") governing the 5.50% extendible convertible unsecured subordinated debentures due December 31, 2020 (the "**2020 Debentures**"), as described in the management information circular of Cardinal dated May 22, 2020 (the "**Circular**") and set forth in a supplemental trust indenture (the "**Supplemental Indenture**") substantially in the form attached as Appendix B to the Circular are hereby approved and authorized;
2. the use of the book-entry transfer process for the exchange of the 2020 Debentures substantially as described in the Circular is hereby approved and authorized;
3. notwithstanding that this extraordinary resolution has been duly passed, the board of directors of Cardinal may, without further notice to or approval of the holders of Debentures, revoke this extraordinary resolution at any time prior to Cardinal entering into the Supplemental Indenture;
4. the Trustee is hereby authorized and directed to, on behalf of the holders (the "**Debentureholders**") of the 2020 Debentures, negotiate the final form, enter into, execute, under the corporate seal of the Company or otherwise, deliver or cause to be delivered or accept, as the case may be, any amending agreement or supplemental indenture or such other agreements and documents in order to give effect to the intent of these resolutions, including, without limitation, the Supplemental Indenture, with such additions thereto, changes therein and deletions therefrom, if any, as such officer or director shall consider necessary or desirable and shall approve, such approval to be conclusively evidenced by his or her execution thereof; and
5. any single director or officer of Cardinal be and is hereby authorized, for and on behalf of Cardinal, to execute and deliver the Supplemental Indenture and to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution, the Supplemental Indenture and the matters authorized hereby and thereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action.

## APPENDIX B

### FIRST SUPPLEMENTAL CONVERTIBLE DEBENTURE INDENTURE

This First Supplemental Convertible Debenture Indenture (the "**First Supplemental Indenture**") is entered into as of the [●] day of June, 2020, between:

**CARDINAL ENERGY LTD.**, a corporation existing under the laws of the Province of Alberta, and having its head office in the City of Calgary, in the Province of Alberta (hereinafter called "**Cardinal**" or the "**Corporation**")

- and -

**COMPUTERSHARE TRUST COMPANY OF CANADA**, a trust company incorporated under the federal laws of Canada having an office in the City of Calgary, in the Province of Alberta (hereinafter called the "**Debenture Trustee**")

#### WITNESSETH THAT:

**WHEREAS** Cardinal and the Debenture Trustee entered into a convertible debenture indenture dated as of October 6, 2015 (the "**Base Indenture**") to provide for the creation and issuance of the first series of debentures being 5.50% extendible convertible unsecured subordinated debentures of Cardinal due December 31, 2020 (the "**First Debentures**");

**AND WHEREAS** Section 16.1 of the Base Indenture provides that Cardinal and the Debenture Trustee may supplement the Base Indenture for the purposes of, *inter alia*, giving effect to any Extraordinary Resolution (as defined in the Base Indenture) passed as provided in Article 13 of the Base Indenture;

**AND WHEREAS** the Corporation has determined to amend the Base Indenture to add an exchange right to terms of the First Debentures whereby holders (the "**Debentureholders**") of the First Debentures would be entitled to exchange their First Debentures for Second Debentures (as defined below) (the "**Exchange Right**" and, with the date of such exchange referred to herein at the "**Exchange Date**");

**AND WHEREAS** the Debentureholders have duly passed an Extraordinary Resolution authorizing Cardinal and the Debenture Trustee to enter into under this First Supplemental Indenture to give effect to the Exchange Right and to perform their respective obligations hereunder;

**AND WHEREAS** in connection with the Extraordinary Resolution and the Exchange Right, Cardinal has determined to create and issue a second series of debentures being 8.00% convertible unsecured subordinated debentures (the "**Second Debentures**"), and to enter into this First Supplemental Convertible Debenture with the Debenture Trustee to provide for such creation and issuance of the Second Debentures;

**AND WHEREAS** all necessary acts and proceedings have been done and taken and all necessary resolutions have been passed to authorize the execution and delivery of this First Supplemental Indenture, to make the same effective and binding upon Cardinal and the Debenture Trustee, and to make the Second Debentures, when authenticated or certified by the Debenture Trustee and issued as provided in the Base Indenture and this First Supplemental Convertible Debenture, valid, binding and legal obligations of the Corporation with the benefit and subject to the terms of the Base Indenture and this First Supplemental Convertible Debenture;

**AND WHEREAS** the foregoing recitals are made as representations and statements of fact by Cardinal and not by the Debenture Trustee;

**NOW THEREFORE** it is hereby covenanted, agreed and declared as follows:

**ARTICLE 1**  
**DEFINITIONS AND AMENDMENTS TO INDENTURE**

**1.1 Amendments to Indenture**

(a) This First Supplemental Indenture is supplemental to the Base Indenture and both shall hereafter be read together and shall have effect, so far as practicable, with respect to the Debentures as if all the provisions of the Base Indenture and this First Supplemental Indenture were contained in one instrument. The Base Indenture is and shall remain in full force and effect with regards to all matters governing the Debentures, except as the Base Indenture is amended, superseded, modified or supplemented by this First Supplemental Indenture. Any references in the text of this First Supplemental Indenture to section, article or paragraph numbers refer to the Base Indenture unless otherwise qualified.

(b) The following definitions shall be added to Section 1.1 of the Base Indenture:

"**CDS Participant**" means a broker, dealer, bank, other financial institution or other person for whom from time to time, CDS effects book-entry for a Debenture deposited with CDS;

"**Electing 2020 Debentures**" means Initial Debentures deposited by Debentureholders pursuant to paragraph 2.4(n);

"**Exchange Agent**" means Computershare Investor Services Inc.;

"**Exchange Date**" has the meaning ascribed thereto in Section 2.4(n);

"**Exchange Expiration Date**" has the meaning ascribed thereto in Section 2.4(n);

"**Exchange Expiration Time**" has the meaning ascribed thereto in Section 2.4(n);

"**Exchange Right**" has the meaning ascribed thereto in Section 2.4(n);

"**Second Debentures**" means a second series of Debentures created pursuant to an indenture supplemental hereto in accordance with the terms of Article 16 and Section 2.2;

(c) The following shall be added as paragraph (n) of Section 2.4 of the Base Indenture:

"Notwithstanding anything else contained herein, including Section 3.6, in connection with the execution by the Corporation of an indenture supplemental hereto in accordance with Article 16 for the purposes of providing for the issuance of Second Debentures, then a holder of Initial Debentures shall have a one-time right to elect, at such holder's sole discretion, to exchange all or a portion of their Initial Debentures in integral principal amounts of \$1,000 for an equal principal amount of Second Debentures (the "**Exchange Right**"). A holder of Initial Debentures who chooses to exercise the Exchange Right may elect to exchange a minimum of \$1,000 principal amount of Initial Debentures, and any additional Initial Debentures in increments of \$1,000.

The right to elect to exchange such Initial Debentures pursuant to the Exchange Right will commence on the date of the supplemental indenture providing for the creation and issuance of the Second Debentures and will expire at 5:00 p.m. (Eastern time) (the "**Exchange Expiration Time**") on the date (the "**Exchange Expiration Date**") that is 30 days from the date of such supplemental indenture unless otherwise terminated, extended or amended by the Corporation.

Following the Exchange Expiration Date, all Initial Debentures for which the Exchange Right has been validly exercised (the "**Electing 2020 Debentures**") and not rescinded prior to the Exchange Expiration Time will promptly be exchanged for an equal principal amount of Second Debentures (the date of such

exchange is hereby referred to as the "**Exchange Date**"). All Initial Debentures exchanged for Second Debentures pursuant to the Exchange Right shall forthwith be delivered to the Debenture Trustee and cancelled. All such exchanges will be effected pursuant to applicable CDS policies and procedures for the book-entry system then in effect.

Cardinal will have the right, in its sole discretion, at any time or from time to time: (a) to terminate the Exchange Right; and/or (b) to vary the terms of the Exchange Right in any respect, including extending or amending the period of time during which the Exchange Right may be exercised, by giving written notice of such extension, amendment, variation or termination to the Exchange Agent and by causing the Exchange Agent to provide a copy of such notice to CDS.

Without limiting any other lawful means of giving notice, any notice to be given by the Corporation or the Exchange Agent under the Exchange Right will be deemed to have been properly given if it is mailed by first-class mail or delivered by an overnight delivery service to CDS, unless otherwise specified by applicable securities legislation. The Corporation understands that, upon receipt of any such notice, CDS will provide notice to its CDS Participants in accordance with the applicable CDS policies and procedures for the book-entry system then in effect.

These provisions apply notwithstanding any accidental omission to give notice and notwithstanding any interruption of mail services in Canada or the United States following mailing. In the event of an interruption of mail service following mailing, the Corporation will use reasonable efforts to disseminate the notice by other means, such as publication. If post offices are not open for deposit of mail, or there is reason to believe there is or could be a disruption in all or any part of the postal service, any notice which the Corporation or the Exchange Agent may give or cause to be given under the Exchange Right will be deemed to have been properly given and to have been received if it is issued by way of a news release using the Corporation's typical methods of dissemination."

- (d) Section 7.10 of the Base Indenture shall be deleted in its entirety and replaced with the following:

**"7.10 Maintain Listing**

The Corporation shall use reasonable commercial efforts to ensure the Shares and the Debentures are listed and posted for trading on the TSX (or other recognized stock exchange) and to maintain the listing and posting for trading of the Shares and the Debentures on the TSX or any other recognized stock exchange and to maintain the Corporation's status as a "reporting issuer" not in default under Applicable Securities Legislation.

Notwithstanding the foregoing covenant, the Corporation shall not be prevented or restricted from exchanging Initial Debentures tendered for exchange pursuant to the Exchange Right for Second Debentures under subsection 2.4(n) if carried out in compliance with subsection 2.4(n), even if as a result of such exchange the Shares or Debentures cease to be listed on the TSX or any other recognized stock exchange.

- (e) The following paragraph shall be inserted as the last paragraph of Section 14.2 of the Base Indenture:

"Notwithstanding anything to the contrary in this Indenture, including the preceding paragraphs of this Section 14.2, all notices required to be given pursuant to subsection 2.4(n), shall be deemed to be validly given if sent by the Debenture Trustee or the Corporation to the Exchange Agent by first class mail, email or facsimile and shall be deemed to have been effectively given the date of mailing or sending of such email or facsimile."

- (f) Section 14.3 of the Base Indenture shall be deleted in its entirety and replaced with the following:

**"14.3 Notice to Debenture Trustee**

Any notice to the Debenture Trustee under the provisions of this Indenture shall be valid and effective if delivered to the Debenture Trustee at its offices in the City of Calgary at 530 - 8th Avenue S.W., Suite 600, Calgary, Alberta T2P 3S8, Attention: Manager, Corporate Trust or if sent by facsimile to facsimile number (403) 267-6598, Attention: Manager, Corporate Trust Department, or if given by registered letter, postage prepaid, to such offices and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof."

- (g) The form of Global Debenture for the Initial Debentures may be amended to give effect to the amendments contemplated by this First Supplemental Indenture and any requirements of the Toronto Stock Exchange.

**ARTICLE 2**  
**THE SECOND DEBENTURES**

**2.1 Forms and Terms of the Second Debentures**

- (a) **Second Debentures.** The Second Debentures are authorized for issue immediately and are initially limited to an aggregate principal amount of up to \$50 million. The Second Debentures shall be designated as "8.00% Convertible Unsecured Subordinated Debentures".
- (b) **Maturity.** The Second Debentures shall be dated the Exchange Date, and shall mature on December 31, 2022 (the "**Maturity Date**") and holders of the Second Debentures will be entitled to receive on the next Business Day following the Maturity Date, an amount equal to the principal amount of the Second Debentures, plus the accrued and unpaid interest thereon up to, but excluding, the Maturity Date.
- (c) **Interest.** The Second Debentures shall bear interest from and including the Exchange Date at the rate of 8.00% per annum, payable in equal instalments semi-annual in arrears on June 30 and December 31 in each year computed on the basis of a 365-day year. The first such payment will fall due on December 31, 2020 and the last such payment (representing interest payable from and including the last Interest Payment Date to, but excluding, the Maturity Date or the earlier of redemption, repayment or conversion of the Second Debentures) will fall due on the Maturity Date on the earlier date of redemption, repayment or conversion, payable after as well as before maturity and after as well as before default, with interest on amounts after maturity or in default at the same rate, compounded semi-annually, computed on the basis of a 365-day year. For certainty, the first interest payment will include interest accrued and unpaid from and including the Exchange Date up to, but excluding, December 31, 2020 which will be equal to \$• for each \$1,000 principal amount of the Second Debentures.
- (d) **Redemption.** The Second Debentures are redeemable by the Corporation in accordance with the terms of Article 4 of the Base Indenture, provided that the Second Debentures will not be redeemable before December 31, 2020 (except in limited circumstances following a Change of Control as provided in Section 2.1(k) of this First Supplemental Indenture). On or after December 31, 2020 and prior to the Maturity Date, the Second Debentures may be redeemed by the Corporation, in whole or in part from time to time, at the option of the Corporation on notice as provided for in Section 4.3 of the Base Indenture and at a price equal to the principal amount thereof plus accrued and unpaid interest thereon, if any, up to but excluding the Redemption Date. The Redemption Notice for the Second Debentures shall be in the form of Schedule "B" to this First Supplemental Indenture. In connection with the redemption of the Second Debentures, the Corporation may, at its option and subject to the provisions of Section 4.6 and subject to regulatory approval, elect to satisfy its obligation to pay all or a portion of the aggregate principal portion of the Redemption Price of the Second Debentures to be redeemed by issuing and delivering to the holders of such Second Debentures, such number of Freely Tradeable Shares as is obtained by dividing the aggregate principal portion of the Redemption Price by 95% of the Current Market Price in effect on the Redemption

Date. If the Corporation elects to exercise such option, it shall so specify and provide details in the Redemption Notice. Any accrued and unpaid interest will be paid in cash.

- (e) **Priority.** The Second Debentures have priority over the payment of any dividends on the Shares but are hereby subordinated to the Senior Indebtedness of the Corporation in accordance with the provisions of Article 5 of the Base Indenture. The Second Debentures rank *pari passu* with one another and with the Initial Debentures and each other series of Debentures issued under the Base Indenture or under indentures supplemental to the Base Indenture (regardless of their actual date or terms of issue) and, except as prescribed by law, with all other present and future subordinated and unsecured indebtedness of the Corporation (other than, for certainty, Senior Indebtedness) to the extent subordinated on the same terms.
- (f) **Conversion.** Upon and subject to the provisions and conditions of Article 6 and Section 3.7 of the Base Indenture, the holder of each Second Debenture shall have the right at such holder's option, at any time prior to 5:00 p.m. (Toronto time) on earliest of: (i) the last Business Day immediately preceding the Maturity Date; (ii) the last Business Day immediately preceding any Redemption Date specified by the Corporation for redemption of such Second Debentures by notice to the holders of Second Debentures in accordance with Sections 2.1(d) of this First Supplemental Convertible Indenture and Section 4.3 of the Base Indenture; (iii) the last Business Day immediately preceding the Change of Control Purchase Date; (iv) if called for repurchase pursuant to the exercise by the Corporation of the 90% Redemption Right, on the Business Day immediately preceding the payment date; or (v) if subject to compulsory acquisition as provided for in Article 12 of the Base Indenture, on the Business Day immediately prior to the day on which such acquisition becomes effective, subject to the satisfaction of certain conditions (the earliest of which will be the "**Time of Expiry**" for the purposes of Article 6 of the Base Indenture in respect of the Second Debentures), to convert the whole or, in the case of a Second Debenture of a denomination in excess of \$1,000, any part which is \$1,000 or an integral multiple thereof, of the principal amount of such Second Debenture into Shares at the Conversion Price in respect of the Second Debentures in effect on the Date of Conversion. To the extent a redemption is a redemption in part only of the Second Debentures, such right to convert, if not exercised prior to the applicable Time of Expiry, shall survive as to any Second Debentures not redeemed or converted and be applicable to the next succeeding Time of Expiry.

The Conversion Price in effect on the date hereof for each Share to be issued upon the conversion of Second Debentures shall be equal to \$1.25, such that approximately 800 Shares shall be issued for each \$1,000 principal amount of Second Debentures so converted, subject to the terms of Section 6.6 of the Base Indenture. Except as provided below, no adjustment in the number of Shares to be issued upon conversion will be made for dividends or distributions on Shares issuable upon conversion, the record date for the payment of which precedes the date upon which the holder becomes a holder of Shares in accordance with Article 6 of the Base Indenture, or for interest accrued on Second Debentures surrendered.

No fractional Shares will be issued, and holders will receive a cash payment in satisfaction of any fractional interest based on the Current Market Price as of the Date of Conversion. The Conversion Price applicable to, and the Shares, securities or other property receivable on the conversion of the Second Debentures is subject to adjustment pursuant to the provisions of Section 2.1(l) of this First Supplemental Convertible Indenture and Section 6.5 of the Base Indenture.

Holders converting their Second Debentures will receive a cash payment for the interest that has accrued but not been paid from the most recently completed Interest Payment Date to the date immediately preceding, but for greater certainty excluding, the Date of Conversion (less applicable withholding taxes, if any).

Notwithstanding the foregoing, no Second Debentures may be converted during the five Business Days preceding any applicable Interest Payment Date. Other than in the case of maturity, a conversion notice received during such period will be deemed received as of the date the registers are next opened.

- (g) **Share Payment Election.** On the Redemption Date or on the Maturity Date of the Second Debentures, as applicable, the Corporation may, at its option and subject to the provisions of Sections 4.6 and 4.11 of the Base Indenture, as applicable, and provided no Event of Default has occurred and is continuing, and subject to any required regulatory approvals, elect to satisfy its obligation to pay all or a portion of the principal amount of the Second Debentures by issuing and delivering Freely Tradeable Shares to the holders of Second Debentures. If the Corporation elects to exercise such option, it shall deliver to the holders of Second Debentures, as applicable, a redemption notice in the form of Schedule "B" to this First Supplemental Indenture (the "**Redemption Notice**") including such election or a maturity notice in the form of Schedule "C" to this First Supplemental Indenture (the "**Maturity Notice**") including such election. Accrued and unpaid interest on the Second Debentures to be redeemed or maturing, if any, will be paid in cash.
- (h) **\$1,000 Denominations.** The Second Debentures shall be issued in denominations of \$1,000 and integral multiples of \$1,000 and the Debenture Trustee is hereby appointed as registrar and transfer agent for the Second Debentures. Each Second Debenture and the certificate of the Debenture Trustee endorsed thereon shall be issued in substantially the form set out in Schedule "A" to this First Supplemental Indenture, and may have imprinted or otherwise reproduced thereon such legend or legends or endorsements, not inconsistent with the provisions of this First Supplemental Indenture or the Base Indenture, as may be required to comply with any law or with any rules or regulations pursuant thereto or with any rules or regulations of any securities exchange or securities regulatory authority or to conform with general usage, all as may be determined by the Directors or an Authorized Officer executing such Second Debenture in accordance with Section 2.7 of the Base Indenture, as conclusively evidenced by his or her execution of an Second Debenture. Each Second Debenture shall additionally bear such distinguishing letters and numbers as the Debenture Trustee shall approve. Notwithstanding the foregoing, a Second Debenture may be in such other form or forms as may, from time to time, be approved by a resolution of the Directors or as specified in an Officer's Certificate. The Second Debentures may be engraved, lithographed, printed, mimeographed or typewritten or partly in one form and partly in another, including non-certificated electronic form.
- (i) **Global Debentures.** The Second Debentures shall be issued as one or more Global Debentures, which may be held as an electronic position on the register of Debentureholders in the NCI System, and the Depository for the Second Debentures shall be CDS. The Global Debentures and electronic position, as applicable, shall be registered in the name of the Depository (or any nominee of the Depository). No Beneficial Holder will receive definitive certificates representing their interest in Second Debentures except as provided in Section 3.2 of the Base Indenture. A Global Debenture may be exchanged for Second Debentures in registered form that are not Global Debentures, or transferred to and registered in the name of a person other than the Depository for such Global Debentures or a nominee thereof as provided in Section 3.2.

The Second Debentures will be issued to beneficial owners thereof in fully registered and certificated form only if: (a) required to do so by applicable law; or (b) CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities with respect to the Second Debentures and the Corporation is unable to locate a qualified successor.

- (j) **Share Interest Payment Election.** Upon and subject to the provisions and conditions of Article 10 of the Base Indenture and provided no Event of Default has occurred and is continuing, the Corporation may elect, subject to applicable regulatory approval, from time to time after the Acquisition Closing Date, to raise funds to satisfy all or part of the Interest Obligation on the Second Debentures on any Interest Payment Date (including, for greater certainty, following conversion or upon maturity or redemption) by delivering Freely Tradeable Shares to the Debenture Trustee for sale through the facilities of a registered broker/dealer.

- (k) **Change of Control.** Within 30 days following the occurrence of a Change of Control, the Corporation shall be obligated to offer to purchase all Second Debentures then outstanding. The terms and conditions of such obligation (in addition to complying with Applicable Securities Legislation) are set forth below:
- (i) Within 30 days following the occurrence of a Change of Control, the Corporation shall deliver to the Debenture Trustee a notice in writing stating that there has been a Change of Control and specifying the date on which such Change of Control occurred and the circumstances or events giving rise to such Change of Control together with a cash offer in writing (the "**Debenture Offer**") to purchase all (or any portion actually tendered to such offer) of the Second Debentures then outstanding from the holders thereof at a price per Second Debenture equal to 100% of the principal amount thereof together with accrued and unpaid interest thereon up to but excluding the Change of Control Purchase Date (as defined below) (the "**Offer Price**"). The Debenture Trustee will promptly thereafter deliver, by prepaid courier or mail, the Debenture Offer to the holders of all Second Debentures then outstanding, at their addresses appearing in the registers of holders of Second Debentures maintained by the Debenture Trustee;
  - (ii) The Debenture Offer shall specify the date (the "**Expiry Date**") and time (the "**Expiry Time**") on which the Debenture Offer shall expire which date and time shall not, unless otherwise required by Applicable Securities Legislation, be earlier than the close of business on the 35th day and not later than the close of business on the 60th day following the date on which such Debenture Offer is made;
  - (iii) The Debenture Offer shall specify that the Debenture Offer may be accepted by the holders of Second Debentures by tendering the Second Debentures so held by them to the Debenture Trustee at its offices in Calgary, Alberta or Toronto, Ontario at or before the Expiry Time together with an acceptance notice (the "**Acceptance Notice**") in form and substance acceptable to the Debenture Trustee;
  - (iv) The Debenture Offer shall state that holders of Second Debentures may accept the Debenture Offer in respect of all or a portion (in a minimum amount of \$1,000 principal amount and multiples thereof) of their Second Debentures;
  - (v) The Debenture Offer shall specify a date (the "**Change of Control Purchase Date**") no later than the third Business Day following the Expiry Date on which the Corporation shall take up and pay for all Second Debentures duly tendered in acceptance of the Debenture Offer;
  - (vi) The Corporation shall, on or before 1:00 p.m. (Toronto time), on the Business Day immediately prior to the Change of Control Purchase Date pay to the Debenture Trustee by wire transfer or such other means as may be acceptable to the Debenture Trustee, an amount of money sufficient to pay the aggregate Offer Price in respect of all Second Debentures duly tendered to the Debenture Offer (less any tax required by law to be deducted). The Debenture Trustee, on behalf of the Corporation, will pay the Offer Price to the holders of Second Debentures in the respective amounts to which they are entitled in accordance with the Debenture Offer as aforesaid;
  - (vii) If holders of 90% or more of the aggregate principal amount of Second Debentures outstanding on the date the Corporation delivers the Debenture Offer to the Debenture Trustee (other than Second Debentures held at such date by or on behalf of the Corporation, Associates or Affiliates of the Corporation or anyone acting jointly or in concert with the Corporation) accept the Debenture Offer, the Corporation shall have the right (the "**90% Redemption Right**"), upon written notice (the "**90% Redemption Right Notice**") provided to the Debenture Trustee within ten Business

Days following the Expiry Date, to redeem on the purchase date specified in the 90% Redemption Right Notice all the Second Debentures remaining outstanding at the Offer Price and on the other terms and conditions provided herein. Upon receipt of such notice by the Debenture Trustee, the Debenture Trustee shall promptly provide written notice to each holder of outstanding Second Debentures (other than those that have accepted the Debenture Offer) that:

- (A) the Corporation has exercised the 90% Redemption Right and is purchasing all outstanding Second Debentures effective as at the Change of Control Purchase Date at the Offer Price;
  - (B) such holder must surrender its Second Debentures to the Debenture Trustee on the same terms as those holders that accepted the Debenture Offer within ten days after the sending of such notice; provided that with respect to a Global Debenture, the obligation to surrender an Second Debenture to the Debenture Trustee shall be satisfied if the Debenture Trustee makes a notation on the Global Debenture of the principal amount thereof so transferred; and
  - (C) the rights of such holder under the terms of the Second Debentures and this Indenture shall cease to be effective as of the Change of Control Purchase Date provided the Corporation has, on or before the date on which the Corporation delivers the 90% Redemption Notice to the Debenture Trustee, paid the aggregate Offer Price to, or to the order of, the Debenture Trustee and thereafter such holder's Second Debentures shall not be considered to be outstanding and such holder shall not have any rights hereunder except to receive such Offer Price to which such holder is entitled upon surrender and delivery of such holder's Second Debentures;
- (viii) The Corporation shall on or before 1:00 p.m. (Toronto time) on the Business Day immediately prior to the date on which the Corporation delivers the 90% Redemption Right Notice pay to the Debenture Trustee by wire transfer or such other means as may be acceptable to the Debenture Trustee an amount of money sufficient to pay the aggregate Offer Price in respect of all Second Debentures to be redeemed pursuant to the 90% Redemption Right (less any tax required by law to be deducted). The Debenture Trustee, on behalf of the Corporation, will pay the Offer Price to the holders of Second Debentures in the respective amounts to which they are entitled in accordance with the exercise of the 90% Redemption Right as aforesaid upon surrender and delivery of such holders' Second Debentures;
  - (ix) The Second Debentures in respect of which the Corporation has made payment to the Debenture Trustee in accordance with the terms of this Section 2.1(k) (or the portion thereof tendered in acceptance of the Debenture Offer) shall thereafter no longer be considered to be outstanding under this First Supplemental Indenture and the Base Indenture. The Corporation shall also deposit with the Debenture Trustee a sum of money sufficient to pay any charges or expenses which may be incurred by the Debenture Trustee in connection with the Debenture Offer and the exercise of the 90% Redemption Right, if applicable. All Second Debentures in respect of which payment of the Offer Price has been so made shall be cancelled by the Debenture Trustee;
  - (x) In the event a portion of the principal amount only of an Second Debenture is tendered by a holder thereof in acceptance of the Debenture Offer, the Corporation shall execute and deliver to the Debenture Trustee and the Debenture Trustee shall

certify and deliver to the holder, without charge to such holder, a certificate (if applicable) or such other evidence of ownership representing the principal amount of the Second Debenture not so tendered in acceptance of the Debenture Offer;

- (xi) Second Debentures for which holders have accepted the Purchase Offer and Second Debentures which the Corporation has elected to redeem in accordance with this Section 2.1(k) shall become due and payable at the Offer Price on the Change of Control Purchase Date, in the same manner and with the same effect as if it were the date of maturity specified in such Second Debentures, anything therein or herein to the contrary notwithstanding, and from and after the Change of Control Purchase Date, if the money necessary to purchase or redeem, or the Shares necessary to purchase or redeem, the Second Debentures shall have been deposited as provided in this Section 2.1(k) and affidavits or other proofs satisfactory to the Debenture Trustee as to the publication and/or mailing of such notices shall have been lodged with it, interest on the Second Debentures shall cease. If any question shall arise as to whether any notice has been given as above provided and such deposit made, such question shall be decided by the Debenture Trustee whose decision shall be final and binding upon all parties in interest;
- (xii) In case the holder of any Second Debenture to be purchased or redeemed in accordance with this Section 2.1(k) shall fail on or before the Change of Control Purchase Date to so surrender such holder's Second Debenture or shall not within such time accept payment of the monies payable, to take delivery of certificates representing such Shares issuable in respect thereof, or give such receipt therefor, if any, as the Debenture Trustee may require, such monies may be set aside in trust, or such certificates may be held in trust, without interest, either in the deposit department of the Debenture Trustee or in a chartered bank, and such setting aside shall for all purposes be deemed a payment to the Debentureholder of the sum so set aside and the Debentureholder shall have no other right except to receive payment of the monies so paid and deposited, or take delivery of the certificates so deposited, or both, upon surrender and delivery of such holder's Second Debenture. In the event that any money required to be deposited hereunder with the Debenture Trustee or any depository or paying agent on account of principal, premium, if any, or interest, if any, on Second Debentures issued hereunder shall remain so deposited for a period of three years less a day from the Change of Control Purchase Date (the "**Unclaimed Funds Return Date**"), then such monies, or certificates representing Shares, together with any accumulated interest thereon, or any distributions paid thereon, shall at the end of such period be paid over or delivered over by the Debenture Trustee or such depository or paying agent to the Corporation and the Debenture Trustee shall not be responsible to Debentureholders for any amounts owing to them. Notwithstanding the foregoing, the Debenture Trustee will pay to the Corporation any remaining funds deposited hereunder prior to the Business Day immediately preceding the Unclaimed Funds Return Date upon receipt from the Corporation or one of its Subsidiaries of an unconditional letter of credit from a Canadian chartered bank in an amount equal to or in excess of the amount of the remaining funds. If the remaining funds are paid to the Corporation prior to the Unclaimed Funds Return Date, the Corporation shall reimburse the Debenture Trustee for any amounts required to be paid by the Debenture Trustee to a holder of a Second Debenture pursuant to the Purchase Offer after the date of such payment of the remaining funds to the Corporation but prior to the Unclaimed Funds Return Date; and
- (xiii) Subject to the provisions above related to Second Debentures purchased in part, all Second Debentures redeemed and paid under this Section 2.1(k) shall forthwith be delivered to the Debenture Trustee and cancelled and no Second Debentures shall be issued in substitution therefor.

- (l) **Cash Change of Control.** In addition to the requirements of Section 2.1(k) of this First Supplemental Indenture in respect of a Change of Control and subject to regulatory approval, the following provisions shall apply in respect of the occurrence of a Cash Change of Control occurring on or before the Maturity Date:
- (i) During the period beginning ten Trading days before the anticipated date on which the Cash Change of Control becomes effective and ending on the date that is 30 days after the Debenture Offer is delivered to holders of Second Debentures in accordance with Section 2.1(k)(i) (the "**Cash Change of Control Conversion Period**"), holders of Second Debentures will be entitled to convert their Second Debentures, in whole or in part, and receive, in addition to the number of Shares (or cash or other property or securities in substitution therefor) they would otherwise be entitled to receive in accordance with the provisions and conditions of Section 2.1(f) of this First Supplemental Indenture and Article 6 of the Base Indenture, an additional number of Shares (or cash or other property or securities in substitution therefor) per \$1,000 principal amount of Second Debentures as set forth in this Section 2.1(l) (the "**Make Whole Premium**");
  - (ii) The number of additional Shares per \$1,000 principal amount of Second Debentures constituting the Make Whole Premium (the "**Make Whole Premium Shares**") will be determined by reference to the table following subsection (iii) below and is based on the date on which the Cash Change of Control becomes effective (the "**Effective Date**") and the price (the "**Cash Offer Price**") paid per Share in the transaction constituting the Change of Control. If holders of Shares receive (or are entitled and able in all circumstances to receive) only cash in the transaction constituting the Change of Control, the Cash Offer Price shall be the cash amount paid per Share. Otherwise, the Cash Offer Price shall be equal to the Current Market Price of the Shares on the day immediately preceding the Effective Date; provided that for the purposes of this Section 2.1(l)(ii) and the determination of the Current Market Price, the applicable period shall be calculated based on the 20 consecutive Trading days ending five Trading days preceding the applicable date. Notwithstanding the foregoing, in no circumstances can the effective Conversion Price (calculated by dividing \$1,000 by the number of Shares issuable upon conversion, including the maximum number of Make Whole Premium Shares hereunder) be less than the maximum permitted discounted price permitted by the TSX (or such other recognized exchange on which the Debentures are then listed) at the time of announcement of the Offering, prior to any adjustments that may be made to the Cash Offer Price to correspond to an adjustment to the Conversion Price under this First Supplemental Indenture and the Base Indenture;
  - (iii) The following table shows the number of Make Whole Premium Shares for each hypothetical Cash Offer Price and Effective Date set forth below, expressed as additional Shares per \$1,000 principal amount of Second Debentures. For the avoidance of doubt, the Corporation shall not be obliged to pay the Make Whole Premium otherwise than by issuance of the applicable number of Shares in excess of the number of Shares to which holders would otherwise have been entitled at the Conversion Price (the "**Base Shares**") upon conversion of the Second Debentures in accordance with the provisions and conditions of Section 2.1(f) of this First Supplemental Indenture and Article 6 of the Base Indenture.

**Make-Whole Premium Upon a Cash Change of Control  
(Number of Additional Shares per \$1,000 Second Debenture)**

Cash Offer Price	Jun 30/2020	Dec 31/2020
\$0.50	1,200.00	1,200.00
\$0.52	1,127.31	1,127.31
\$0.54	1,059.57	1,059.35
\$0.56	996.32	994.48
\$0.58	937.14	933.64
\$0.60	881.68	876.43
\$0.65	757.34	747.50
\$0.70	650.47	637.09
\$0.80	478.30	457.46
\$0.90	349.17	317.74
\$1.00	253.02	205.97
\$1.25	112.61	36.42
\$1.50	54.71	1.88
\$2.00	22.98	-
\$2.50	16.16	-
\$3.00	13.19	-
\$4.00	9.87	-
\$5.00	7.90	-

- (iv) The actual Cash Offer Price and Effective Date may not be set forth on the table above, in which case:
- (A) if the actual Cash Offer Price on the Effective Date is between two Cash Offer Prices on the table and/or the actual Effective Date is between two Effective Dates on the table, the number of Make Whole Premium Shares will be determined by a straight-line interpolation between the Make Whole Premium set forth for the two Cash Offer Prices and/or the two Effective Dates on the table based on a 365-day year, as applicable;
  - (B) if the Cash Offer Price on the Effective Date exceeds \$5.00 per Share, subject to adjustment as described below, the Make Whole Premium and the number of Make Whole Premium Shares to be issued will be zero;
  - (C) if the Cash Offer Price on the Effective Date is less than \$0.50 per Share, subject to adjustment as described below, the Make Whole Premium and the number of Make Whole Premium Shares to be issued will be zero; and
  - (D) if the Effective Date is after December 31, 2020, the Make Whole Premium and the number of Make Whole Premium Shares to be issued will be zero.
- (v) The Cash Offer Prices set forth in the table above will be adjusted as of any date on which the Conversion Price of the Second Debentures is adjusted. The adjusted Cash Offer Prices will equal the Cash Offer Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Price as so adjusted and the denominator of which is the Conversion Price immediately prior to the adjustment giving rise to the Cash Offer Price adjustment. The number of Make

Whole Premium Shares set forth in the table above will be adjusted in the manner that is inversely proportional to the adjustment of the Conversion Price as set forth under Section 6.5 of the Base Indenture, other than as a result of an adjustment to the Conversion Price by adding the Make Whole Premium as described above. The provisions of Section 6.12 of the Base Indenture shall be applicable in connection with determinations under this Section 2.1(l);

- (vi) Notwithstanding the foregoing, if the Date of Conversion of any Second Debentures occurs during the period beginning on the 10th Trading day prior to the Effective Date and ending at the close of business on the Effective Date, the holders of such Second Debentures shall, on conversion of their Second Debentures, only be entitled to receive that number of Make Whole Premium Shares as may be adjusted pursuant to Section 6.5 of the Base Indenture on the Business Day immediately following the Effective Date and, for greater certainty, only if the Change of Control occurs. The Base Shares shall be issued in accordance with the terms of this First Supplemental Indenture applicable to a conversion of Second Debentures otherwise than during the Cash Change of Control Conversion Period, including at the then applicable Conversion Price;
- (vii) The Make Whole Premium Shares shall be deemed to have been issued upon conversion of Second Debentures on the Business Day immediately following the Effective Date. Section 6.5 of the Base Indenture shall apply to such conversion and, for greater certainty, the former holders of Second Debentures in respect of which the Make Whole Premium Shares are issuable shall be entitled to receive and shall accept, in lieu of the Make Whole Premium Shares, the number of shares or other securities or property of the Corporation or of the person or other entity resulting from the transaction that constitutes the Cash Change of Control that such holders would have been entitled to receive if such holders had been the registered holders of the applicable number of Make Whole Premium Shares on the Effective Date; and
- (viii) Except as otherwise provided in this Section 2.1(l), all other provisions of this First Supplemental Indenture and the Base Indenture applicable to a conversion of Second Debentures shall apply to a conversion of Second Debentures during the Cash Change of Control Conversion Period.
- (m) ***Deliveries to the Debenture Trustee.*** The Debenture Trustee shall be provided with the documents and instruments referred to in Sections 2.5(b), (c) and (d) of the Base Indenture with respect to the Second Debentures prior to the issuance of the Second Debentures.

### **ARTICLE 3**

#### **ADDITIONAL MATTERS**

#### **3.1 Confirmation of Indenture**

The Base Indenture, as amended and supplemented by this First Supplemental Indenture, is in all respects confirmed.

#### **3.2 Acceptance of Trusts**

The Debenture Trustee hereby accepts the trusts in this First Supplemental Indenture declared and provided for and agrees to perform the same upon the terms and conditions and subject to the provisions set forth in the Base Indenture.

**3.3 Governing Law**

This First Supplemental Indenture shall be construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated, in all respects, as an Alberta contract.

**3.4 Further Assurances**

The parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this First Supplemental Indenture, and each party shall provide such further documents or instruments required by the other party as may be reasonably necessary or desirable to effect the purpose of the Base Indenture and this First Supplemental Indenture and carry out its provisions.

**3.5 Counterparts and Formal Date**

This First Supplemental Indenture may be simultaneously executed in several counterparts, each of which when so executed shall be deemed to be an original and all such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution shall be deemed to bear date as of [●], 2020.

**[Remainder of page intentionally left blank.]**

IN WITNESS WHEREOF the parties hereto have executed these presents under their respective corporate seals and the hands of their proper officers in that behalf.

**CARDINAL ENERGY LTD.**

Per: \_\_\_\_\_

Per: \_\_\_\_\_

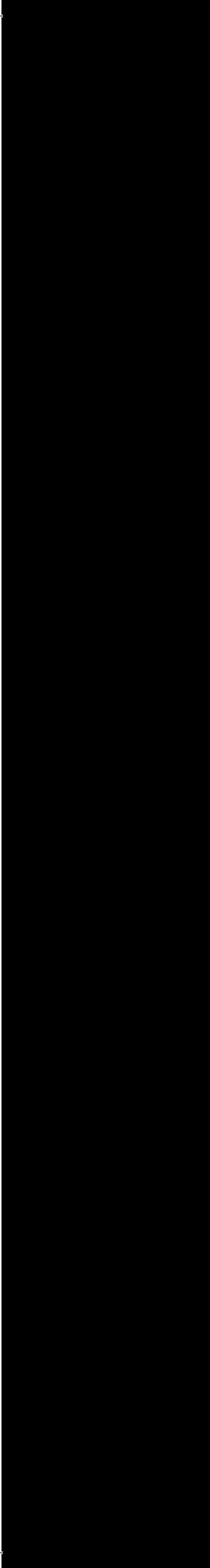
**COMPUTERSHARE TRUST COMPANY OF CANADA**

Per: \_\_\_\_\_

Per: \_\_\_\_\_







**TSX: CJ.DB**

CARDINAL ENERGY LTD.

600, 400 – 3 AVENUE SW

CALGARY, AB T2P 4H2

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